

Beyond Regionalism?

**Regional Cooperation, Regionalism
and Regionalization in the Middle East**

Edited by

Cilja Harders

Matteo Legrenzi

BEYOND REGIONALISM?

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and Regionalization in the Middle East

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ASHGATE

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Published by

Ashgate Publishing Limited
Gower House
Croft Road
Aldershot
Hampshire GU11 3HR
England

Ashgate Publishing Company
Suite 420
101 Cherry Street
Burlington, VT 05401-4405
USA

Ashgate website: <http://www.ashgate.com>

British Library Cataloguing in Publication Data

Beyond regionalism? : regional cooperation, regionalism and regionalization in the Middle East. - (The international political economy of new regionalisms series)

1. Regionalism - Middle East 2. Middle East - Foreign relations

I. Harders, Cilja, 1968- II. Legrenzi, Matteo
327.5'6

Library of Congress Cataloging-in-Publication Data

Beyond regionalism? : regional cooperation, regionalism and regionalization in the Middle East / edited by Cilja Harders and Matteo Legrenzi.

p. cm. -- (The international political economy of new regionalisms series)

Includes bibliographical references and index.

ISBN 978-0-7546-4993-9

1. Regionalism--Middle East. 2. Middle East--Foreign relations. I. Harders, Cilja, 1968- II. Legrenzi, Matteo.

JQ1758.A38R433 2008
327.56--dc22

2007035657

ISBN 978 0 7546 4993 9

Printed and bound in Great Britain by MPG Books Ltd, Bodmin, Cornwall.

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Foreword

HE Ambassador James A. Larocco

As a policy practitioner in the Middle East for more than 30 years, I have repeatedly experienced first-hand the frustration and failure of attempts by regional organizations, whether by their own initiatives or outside urgings, to translate policies into cooperative programs. The record is indeed abysmal.

It is therefore easy for any observer to conclude that there is scant hope that shared interests and concerns of various groupings of countries will in the future find firm ground for articulation and action within a regional context. That said, I for one do see an intersection of recent developments, coupled with the inescapable forces of the regionalized/globalized information, capital and labor markets, as driving countries to look more to regional cooperation to shape policies and programs. Let me explain.

To begin with, the historic policies of key foreign actors in the region, especially the United States and European countries, while ostensibly touting regionalism and regional cooperation, were in fact largely bilaterally based, while in many cases specifically designed to counter the goals of their fellow competitors. US unilateralism needs no explanation, but I have found equally divisive the competition of the previous colonial powers in the region (the UK and France), and the aggressive bilaterally-focused actions of players on the economic scene, notably Germany, Italy and Spain.

Those policies are changing as the US is now moving, and moving swiftly, toward a more multilateral approach to the region, while the EU, long searching for a role, has recently found such roles in the strategic, economic and political development arenas.

The changing face of threats in the region is also playing a strong role in pushing countries to seek more regional cooperation. The recent rise of Iran, after appearing for many years to be receding into the background after the regional jolt caused by the Khomeini revolution in 1979, has joined terrorism, Lebanon, Palestine, home-grown extremism, and economic and social tensions on the agenda of key issues that must be addressed. Regional cooperation not only presents opportunities for political cover for policies difficult to articulate bilaterally, but also as a means to influence outside events.

In my view, the table is set for new realignments in the region. In the initial stages, I would expect that we witness traditional institutions used as political cover, with ad hoc groupings used for policy and program advocacy. Over time, these latter groupings will be the catalysts for changing these institutions or forming new ones. How institutions and countries outside the region respond to these overtures will

be vital in determining whether they are stillborn or evolve in new, constructive directions.

The chapters in this volume are relevant and timely, presenting valuable insights as we all seek to understand the forces at work in this region vital to key global interests. I commend the participants and contributing authors for their perception, candor and contributions to our understanding.

Introduction

Beyond Regionalism? Regional Cooperation, Regionalism and Regionalization in the Middle East

Matteo Legrenzi and Cilja Harders

There is a growing body of literature centered on the notion that regional institutions, and more specifically regional organizations, are becoming important actors in world politics.¹ The proponents of this view see regions as significant in their own right, and not as merely derivative of state power or global processes. This view takes its cue from the experiences of the European Union, NAFTA and to a lesser extent ASEAN. Scholarship on Middle Eastern cases of regional cooperation and integration is split in its assessment of these projects: institutional shortcomings, domestic constraints, and the dominance of international intervention are the most obvious barriers to successful regional cooperation and integration in this part of the world.

This volume aims to move beyond a Manichean reading of Middle Eastern regionalism, which tends to pit cynical dismissals of any such enterprise against grossly inflated portrayals of the results obtained by existing organizations. Such a discussion is particularly relevant now that the idea is gaining ground that regionalism and regionalization can contribute to political liberalization or even democratization in the region. In both Latin America and Sub-Saharan Africa observers have noticed the positive influence that regional entities have been able to exert. In this context the Middle East continues to be seen as a “black hole,” where the role of regionalist efforts to foster a more pluralistic political environment are negligible.

For the purpose of the volume the Middle East is geographically defined as the core countries of the Levant, the Gulf and the Nile Valley, together with Turkey, Iran and North Africa. However, it is clear that the focus is on the Arab Middle East, which is widely considered the “exception” in terms of successful regionalism. Thus, Turkey, a founding member of NATO, and Iran as important regional actors are discussed in many of the contributions but do not constitute the object of a specific chapter. Conversely, Israel, the foremost economic regional power and a potential military hegemon, is at the center of two of the chapters. An effort is made to analyze

¹ We wish to thank the anonymous reviewers for their most valuable comments on the volume and this introduction. Our gratitude goes also to Imco Brouwer, Monique Cavallari and Elisabetta Spagnoli who were our hosts and facilitators at the EUI Mediterranean Social and Political Research Meeting. Finally we are grateful for the support of Professor Timothy Shaw and Pam Bertram, our editors at Ashgate.

its role as a regional actor and not as a ‘corpus separatum’ within the international relations of the Middle East.

The basic puzzle of the region is—the geographic proximity, the relatively high degree of social, cultural, and religious homogeneity as well as political, economic and military interaction—the low degree of institutional regional cooperation, let alone integration. The reasons for this low degree of cooperation given vary according to the underlying theoretical assumptions (Korany 1999; Hudson 1999; Korany, Noble and Brynen 1993; Fawcett 2005a). Neorealist approaches and dependency theories tend to focus on the huge power asymmetries between the states of the region and international players, which pursue their national interests in the region. Thus, internal splits, conflicts and lack of regional institution building are considered a product of external superpower intervention, asymmetric economic integration with Europe and the US, and balance of power politics. In an early study, Binder depicted the Middle East as a subordinate subsystem (Binder 1958). Ismael, Hudson, Pawelka, Amin and el-Kenz talk about a “penetrated” and dependent system (Ismael 1986, Pawelka 1993; Hudson 1999, 17; Amin and el-Kenz 2005).

Liberals, Institutionalists and Constructivists tend to detect more regional and domestic autonomy. Brown’s historical review and Perthes’ analysis of regional policies emphasize regional autonomy instead of dependency (Brown 1984, Perthes 2000). Fawcett and Nonnemann outline a multidimensional approach taking the international and domestic environment of Middle Eastern politics into consideration (Nonnemann 2005, Fawcett 2005a:174). Fawcett holds that the lack of cooperation can be attributed to the special nature of the region’s security dilemma which operates on interrelated levels and is closely linked to the relative weakness of Middle Eastern States (Fawcett 2005a: 177). These scholars argue that the dominance of national interests over co-operation interests, the limited orientation towards reform of the regimes, the rent-economies and their demobilizing social pacts constitute the main reasons for the low degree of regional cooperation. The lack of reform-oriented regionalist elites and the contradictory policy orientations of business elites (industrial versus commercial) weaken potential actors of change (Aarts 1999, 919).

Clearly, even though Middle Eastern societies and economies are confronted with the challenges of globalization, this did not, as in other regions of the world, enhance and foster regionalization on a broad scale. Still, even though institutional cooperation is weak in the Arab Middle East, societal regionalism has developed in fields where common languages were involved such as increasingly integrated media markets and extensive trans-national family ties. In the economic sphere labor migration prompted the creation of an integrated labor market in the Arab World in the 1970s. This integrated market has persisted since, even if it is nowadays threatened by refugee inflows and various, thus far fairly ineffective, attempts to indigenize the labor forces, e.g. in the Gulf region. Furthermore, we witness the growing relevance of political and economic non state actors such as regional and international Islamist networks, migrants, and business communities. Therefore, it is important to establish whether regionalist efforts so far constitute no more than a case of “ceremonial politics,” as many skeptics assert, or whether they instead have the potential to evolve into something more tangible.

This becomes even more important in a time where we witness the evolution of a new regional order as a consequence of the events following the terrorist attacks on New York and Washington on September 11, 2001. The “war on terror,” most notably the military enterprises in Afghanistan and Iraq, have had and continue to have a considerable impact on the international relations of the Middle East. The regional system is confronted with a contradictory package of military intervention within the framework of the “war on terror,” forced democratization, new types of security cooperation, and at least rhetorically strengthened Arab–European relations. The regional impact of overt military intervention in Iraq is especially important for the future development of regional cooperation, as it touches on regional hegemonic conflicts, territorial rivalries, and the ability of regional organizations to play a role in the management of these processes.

Thus, the aim of the volume *Beyond Regionalism?* is twofold: first, it looks for refined theoretical models and approaches, which are attuned to the dynamics and contradictions of a wide range of regionalist projects in the contemporary Middle East. The authors use a broad range of approaches looking at the region through the prism of institutional regionalism, economic regionalization, collective security, security communities, and securitization. They develop neo-realist, institutionalist, liberal and constructivist perspectives dealing with the discourses of pan-Arabism or Islamism as well as with institutional settings and constraints. This theoretical pluralism is an answer to the plurality of experiences and stages of Middle Eastern regional cooperation. Second, the book offers in-depth case studies of the most important institutional and non-institutional regional actors thus offering a comprehensive picture of the Middle Eastern situation. The volume contains fresh empirical insights about the most important regional organizations such as the League of Arab States (LAS), the Gulf Cooperation Council (GCC), the Organization of Islamic Conference (OIC) and the Greater Arab Free Trade Area (GAFTA). The LAS and the GCC are treated in more detail as the former is—all its shortcomings notwithstanding—still the most encompassing and important Arab regional organization. As for the latter, we argue that the GCC might constitute a future model of Arab cooperation being a rather successful *subregional* organization building on a *pragmatic* rather than over-burdened pan-Arab discourse as a legitimacy basis. In addition, the volume tackles the relevance of more informal types of regionalization taking the example of Israeli business elites’ perceptions towards intensified interactions with their Arab neighbors. It does not, however, address the cases of failed and/or inactive regional organizations such as the efforts to build state unions as e.g. the Federation of Arab Republics between Egypt, Syria, and Libya, the Arab Cooperation Council (1989-90), the Arab Maghreb Union (AMU) or earlier attempts to construct economic cooperation units in a separate chapter (Fawcett 2005; Hudson 1999).

Fred Lawson offers an intellectual history of scholarship on regionalism and regionalization. His starting point is the conviction that much of the scholarship on regional cooperation in the Middle East focuses on the factors that promote or inhibit the emergence of regional political-economic formations, and/or the impact that further regionalization is likely to have. This focus on independent variables which might stimulate or block regionalist efforts is problematic because it asks for causes before defining the subject matter at the center of the analysis. Lawson

argues that the works of Neye, Schmitter, and McCall are helpful in constructing such a descriptive typology. He suggests to employ a four-dimensional matrix in order to evaluate different regionalist projects: 1) degree of institutional authority in issue areas, 2) type of decision making rules (majority vote versus unanimous vote), 3) type of incentive structure, 4) degree to which regional institutions provide a foundation for heightened economic interdependence. These dimensions are then convincingly operationalized. In the first dimension (institutional authority in issue areas) Lawson suggests to distinguish three types of regionalist projects: multilateral institutions can exercise authority over none, two or more than two issue areas. As for the incentive structure he suggests to distinguish regionalist projects with and without collective security pacts and/or Free Trade Areas. In the fourth dimension, the existence of programs that encourage the growth of relationships whose disruption would prove equally costly to member-states can be measured. Applied to the case of the Arab Maghreb Union (AMU) and the Arab Cooperation Council (ACC), Lawson shows that the analytical tool he provides produces the kind of differentiation dearly needed by works on regional cooperation.

Monica Gariup utilizes the case of the GCC to expose the state of the art of theoretical scholarship on regionalism and regionalization from a neo-realist perspective. Her chapter is a powerful reminder that this school of thought in International Relations can still deliver some important insights in a sub-field that nowadays is often monopolized by institutionalist and constructivist scholars. She argues against culture and identity as independent or co-constitutive variables and holds that “considerations of national sovereignty, territorial survival, and political and economic interests as well as the geo-strategic forces” are the driving forces of contemporary regionalist experiments in the Middle East. She strongly disagrees with approaches holding that identity discourses play an important role, and argues that “references to any form of common identity or values are only rhetorical exercises of scarce impact on policy outputs and outcomes.” Cooperative behavior in a security complex like the Gulf is basically influenced by an overlay of external powers, national interest, and the pattern of amity-enmity. She concludes that “the fact that the Gulf region is strategically and economically one of the most valuable in the Third World elicits massive direct and indirect interventions on the part of external actors. This state of affairs does not allow the GCC to develop and maintain an autonomous and credible role as a balancing factor in the area.”

Simone Ruiz and Valentin Zahrnt develop a different model in order to analyze preconditions and prospects of regional cooperation in the Middle East. They build on IR theory and European Integration Studies and argue that four variables are of specific importance: regional ambition, regional social capital, regional institutions and the scope and depth of regional regulation. Their chapter develops these variables in more detail and applies the model with special reference on the role of external actors. The concept of regional social capital deserves special attention as it allows for a combination of both, constructivist and rationalist approaches. Regional social capital is operationalized as interdependence, a shared common fate, homogeneity, self restraint, collective identity formation, and deliberation. The authors conclude that future prospects of regional cooperation in the Arab-Mediterranean world will be

marked by “a panoply of cooperative arrangements that may include extra-regional actors—and, thereby, also improve the conditions for deeper cooperation.”

Cilja Harders takes a closer look at the effects of September 11, 2001 on the Middle East. In order to analyze the impact of the manifold aftermaths of the attacks on New York and Washington she suggests differentiating the domestic, regional and international level. She argues that the “war on terror” is the most important effect of these events. It led to a massive militarization and securitization of US foreign policies culminating in the wars against Afghanistan (2001) and Iraq (2003). The move to the declaration of a “war on terror” represents a significant shift in the central political paradigm of the international level. This war and especially the situation in Iraq in turn have triggered important changes on the regional level as new regional order evolves. Its main feature is an escalating degree of inter- and intra-state violence especially in Iraq, but also in Lebanon, Israel, and the Palestinian territories. This severely limits the perspectives of successful regional political cooperation, thus adding to a long tradition of weak integrative structures. Meanwhile, new economic cooperation efforts like the Agadir Agreement indicate that sub-regional economic cooperation of smaller groups might be the future model of Arab regional cooperation.

Still, Arab regional organizations persist, and new initiatives for regional economic and security cooperation have come to life, most notably the 2004 Agadir Agreement between Egypt, Jordan, Morocco, and Tunisia. Furthermore, the growth in regional awareness brought about by the activities of organizations like the LAS, the Organization of the Islamic Conference (OIC), the GCC and the AMU are strengthening regionalist efforts. These case studies are in the center of the second part of the book. They offer comprehensive overviews of the main actors, institutions, historical development and current issues relevant to regional organizations and regionalist compacts in the Middle East.

For example, the profound change in the notion of Arab identity that followed the demise of Pan-Arabism allowed Gulf leaders in 1981 to spurn previously accepted norms of intra-Arab political behavior by setting up the GCC, an organization that was explicitly sub-regional in character. This sub-regional initiative has been enthusiastically embraced by intellectual and business elites bent on reform. Today this represents an important type of regionalism, the—more or less formalized—regionalization of citizens networks being migrants, businesspeople or NGO activists as Matteo Legrenzi argues in his chapter about the GCC. He contends that even though the GCC failed to reach many of the ambitious aims laid out in its charter, it represents an important exercise in “identity diplomacy” which in turn transforms Gulf politics in many ways. The foundation of the GCC prepared the ground for less institutionalized and formalized regionalization efforts. In addition, Legrenzi shows that the modest achievements in the field of defense integration stem from the notion that it will always prove impossible to achieve security independence *vis-à-vis* other regional powers without modifying completely the social pacts that make these states viable and glue their societies together. This leads GCC states to utilize arms procurement as a foreign policy tool, as a sort of “insurance policy” underwritten by external actors. More broadly he argues that it is misguided to compare the GCC with other regional and sub-regional organizations, in particular with the EU,

without taking into account the specific context in which the organization operates and the political nature of its constitutive states. While certainly deficient from an institutionalist point of view, and utterly lacking in supranational powers, the GCC has come to acquire a well defined role in the cognitive boundaries of politicians and businessmen alike, both within and outside the region. This is not a meagre result, particularly in the Middle East.

The LAS is at least in terms of depth of membership and regional spread the most important Arab regional organization. Still, its performance is often poor in many respects, and two chapters in this volume focus on these shortcomings. David Romano and Lucy Brown provide an overview of the history and structure of the organization. They then look closely at the relations between the LAS and the Kurds throughout the history of the organization and in particular after the 2003 Iraq war. Their assessment of the role of the LAS with regards to the Kurds, while articulated, is certainly negative. They conclude that it is very difficult for an international organization based on the sectarian identity of some Iraqis, but not others, to play a useful role as a mediator. They further argue that another main reason behind the League's ambivalent and negative role lies in the fact that its membership is composed exclusively of states with authoritarian governments. More importantly, the Arab League's principle of membership derives from an ethnic nationalist identity—being Arab—rather than civic or geographic inclusion within a region. Brown and Romano conclude that “these two conditions prevent the Arab League from exercising a liberalizing or democratizing influence in the Middle East.” Drawing on the example of the Kurds in Iraq before and after Saddam Hussein they show how Arab nationalism prevents the League from condemning the genocidal policies carried out against the Kurds in Iraq. In the constitutional process of the years 2004 and 2005 the Arab League tried to interfere in order to secure the Arab identity of Iraq.

Ibrahim al-Marashi, who presents in-depth empirical work on Iraqi discourses about the role of the League in post-Saddam Iraq convincingly argues that, given these ethno-nationalistic biases, the League is not able to serve as a conflict mediator for the competing factions in Iraq. It is perceived to favor the Sunni population instead of being a neutral broker between Arab and Kurdish nationalisms as well as the various sectarian Sunni and Shiite factions in the violence ridden country. He concludes that “in the face of an American occupation that it could not prevent, the League ensured that it would secure Arab collective security on an identity level, by ensuring that Iraq's integrity is maintained and by guaranteeing that the notion of ‘Arabness’ was enshrined in the Iraqi constitution.” Doing this, the League and its Secretary General Amr Musa exacerbated conflict instead of contributing to its management. However, he credits the LAS with identifying the issue of reconciliation as a crucial one for the long term security of Iraq well in advance of other international and domestic actors. Even if the LAS attempts at instituting a comprehensive national dialogue were not successful, Al-Marashi credits the institution with having initiated several mediation initiatives in good faith.

Ishtiaq Ahmed delves into an organization which substantially broadens the geographical scope of studies in Middle Eastern regionalism. He analyzes the Organization of Islamic Conference (OIC), which includes the states of the Arab

Middle East without being restricted to them. He argues that specifically after the summit of 2005, the OIC Muslim member-countries agreed to wide-ranging reforms of the organization. These changes are motivated by the “domestic challenge from Muslim extremism, the US/Western pressure, Muslim ruling elites’ realization about the urgency of reforms, and the assertion of non-Arab Muslim countries in OIC affairs.” He presents an in-depth study of the organization showing how domestic developments and global changes after September 11, 2001 influenced an organization which had so far been more often than not an example of ceremonial politics. He hypothesizes that the OIC, after many decades of ceremonial politics, may finally start to evolve in a slightly more functionalist and pragmatic direction. Caution in predicting an evolution in this direction is of course mandatory given the past track record of the OIC. Muslim solidarity has certainly not been a significant variable in the international relations of the Middle East. However, some recent institutional changes and the emergence of a new generation of pragmatic leaders in the Arab Middle East give ground for reflection and warrant a second look at this long standing organization.

Israel is in many ways the big non-issue of regional cooperation in the Middle East. Still, geographically and politically the regional relations of Israel are at the center of both conflict and cooperation in the region. Bezen Coskun and Sabine Hofmann both focus on the role of Israel in the region coming to rather different conclusions. Coskun defines regionalism as a regional security complex, which takes regional security and stability as the vital concerns of regionalism. Thus, she focuses on the inclusion/exclusion schemes which are the product or regional securitization processes. Combining the collective identity formation theory of Alexander Wendt with Barry Buzan and Ole Wæver’s regional security complex theory, she concludes that a process of de-securitization is needed as well as a process of transforming the conflict from fragile/unstable peace to cold peace and finally positive peace. Her analysis of regionalism and securitization is a further reminder that constructivist scholars do not need to fear treading on the terrain of International Security Studies. Her contribution, influenced by the English School of International Security Studies, convincingly shows formidable obstacles that hinder the formation of a region-wide security regime. In particular, complete absence of trust prevents the move from a securitized to a de-securitized environment.

Sabine Hofmann analyzes the possibilities of Arab-Israeli economic cooperation under conditions of conflict. Drawing on the perceptions and strategies of Israeli business elites and leading politicians she outlines basic developments between the Arab boycott and formal and informal cooperation after the beginning of the peace process. She shows that parts of the Israeli business elites are oriented globally and are searching for regional integration in order to re-position their local businesses in global markets. She develops four future scenarios for regional structures including Israel based on the asymmetrical economic relations between Israel and other Middle Eastern economies. First, a rationalist agenda which would lead to strengthened Arab–Israeli cooperation in labor-intensive areas. Israel would concentrate on technology and research thus strengthening its central position in a fundamentally asymmetrical relationship. The second scenario is based on significant steps in the resolution of the Israeli–Palestinian conflict. This would be the basis for extended

and formalized business cooperation in the Mashreq and the Gulf. The third vision is marked by fragmentation and growing tensions leaving Israel and the Arab World in a disintegrated status. The final scenario envisions sub-regional cooperation of different speeds whereas inclusive regional cooperation efforts remain fragile.

Anja Zorob analyzes economic cooperation and integration in the Arab World in more detail. She focuses on the latest integration initiative, the Greater Arab Free Trade Area (GAFTA) which was endorsed by the Arab League in 1997. GAFTA is meant to support the Arab states in meeting the challenges of globalization and deepening economic ties with Europe within the framework of the Euro-Mediterranean Partnership of 1995. In a similar vein, the most recent regional integration agreement (RIA) among Arab countries, the Agadir Agreement (MAFTA) signed in 2004 as well as GAFTA primarily aim at containing potential risks and negative effects expected to result from free trade with the European Union. Zorob first presents the theoretical approaches concerning economic integration, and specifically the effects of asymmetrical north-south and south-south integration. Dwelling on specific effects such as the development of a “hub and spokes system” and the important role of rules of origin she reviews current and past intra-Arab economic integration efforts. She concludes that it is doubtful that the GAFTA Executive Program and MAFTA “are effectively able to reduce negative effects of north-south integration because the Program’s provisions resemble no more than a scheme of shallow integration unable to reduce trade transaction costs connected to restrictions ‘behind the border’.” She argues, too, that the Agadir Agreement is not able to compensate for the shortcomings of the GAFTA Executive Program, and thus may rather compete with GAFTA instead of complementing it.

The theoretical reflections and case studies presented here invite several more general conclusions: First, using the fresh empirical insights about the Arab League, the GCC, the OIC, and intra-Arab as well as Arab–Israeli business cooperation presented here, it is obvious that some of the many institutions of Arab cooperation are vivid and developing even though their track record measured by the stated organizational aims often falls short of these. Still, they provide the formal and informal fora for the exchange of information, enable collective problem solving and strengthen the networks of trust and cooperation. The obvious weaknesses become clear when assessed through a neo-realist and functionalist prism: Arab regional organizations do not provide collective security nor do they greatly enhance economic integration. More often than not, the LAS is seen as an instrument or an arena of the authoritarian regimes pursuing their national interests. References to pan-Arabism tend to be a burden rather than an enabling factor as the analysis of the Iraqi and the Kurdish cases showed.

Second, in the light of these assessments, the subregional grouping of the GCC might constitute a future model of policy coordination. The Gulf Cooperation Council is a sub-regional organization that has eschewed grand ideological schemes and concentrated on functionalist cooperation and diplomatic coordination since its inception. Additionally, the Agadir-Agreement provides for subregional economic cooperation of those states which are willing to strengthen the dismantling of tariffs and red tape in order to address the challenges of economic globalization. The Arab Maghreb (Morocco, Tunisia, Egypt) and the Levante (Jordan) are both included

here. Still, in terms of political subregionalism, the Maghreb has no such trend—the AMU is basically defunct. The reasons for this are basically endogenous even though external actors are being involved. The situation is more complex in the case of the Levant with its highly conflictual structure (Iraq, Arab-Israeli conflict, Palestinian-Israeli conflict) and a high degree of external power involvement. Here, the environment for the development of subregional groupings is more than hostile because internal conflict and external intervention stand against deepened cooperation. Thus, the Agadir-grouping is paradigmatic because it transgresses the conventional borders of sub-regionalism. As such it binds those countries together which want to pursue economic cooperation on a different speed and depth.

Especially in cases of escalated territorial and power conflicts the divisive character of identity discourses such as Pan-Arabism becomes clear. The legacy of Arabism and maybe also the actual trends in Sunni Islamism tend to be a burden rather than factors enabling cooperation. Thus, the invention of “Gulf identity” was a derivation from the appeal to Arabism but it lay the ground for a rather pragmatic understanding of “Arabness” as an ideological basis of regionalist efforts. This pragmatism moves beyond Arab regionalism in its traditional forms. The volume addresses these empirical changes through making intensive use of a broad spectrum of IR approaches. Bridging the gap between area studies and International Relations hopefully is a fruitful endeavor in the effort to grasp new developments in the region empirically and theoretically.

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Part 1
Theorizing Regionalism and
Regionalization in the Middle East

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Chapter 1

Comparing Regionalist Projects in the Middle East and Elsewhere: One Step Back, Two Steps Forward

Fred H. Lawson

Current scholarship on regionalism concentrates almost exclusively on the factors that promote (or inhibit) the emergence of regional political-economic formations and/or the impact that greater regionalization is likely to have, either on the countries involved or on the broader global arena. These dual emphases entail two interconnected consequences. First, they make it hard to delineate the scope and depth of regionalization that characterize any specific regionalist project, and how trends toward (or away from) greater regionalization might be changing over time. Second, they make it inordinately difficult to construct useful comparisons among diverse instances of regionalism. Thus it is not unusual for quite different kinds of regional formations to be lumped together to demonstrate a given analytical point.

This procedure is particularly evident in studies of regionalism in the contemporary Middle East, where it is not uncommon to find fundamentally dissimilar regionalist experiments—such as the Arab League, the Arab Maghreb Union, the Gulf Cooperation Council and the Euro-Mediterranean Partnership Initiative—presented as analogous projects. One way to avoid such misconceptions, and at the same time advance the general study of regionalism, is to take a look back at the first generation of attempts to construct rigorous, conceptually based typologies of regional formations. Some aspects of this initial literature reflect the biases and theoretical shortcomings that later critics claim to have permeated the “first wave” of scholarship on regional integration (Hettne and Söderbaum 2000; Breslin and Higgott 2000). But by making judicious use of the central components of these early writings, it is possible to formulate a rigorous typology of regionalist projects that substantially improves our ability to identify and compare analytically similar cases, both across different parts of the world and through different periods of time.

Regionalism in the Middle East

Several thoughtful studies of the experience of and prospects for regionalism in the contemporary Middle East have appeared in recent years. Ali Çarkoğlu, Mine Eder and Kemal Kirişçi (1998, 16-19) begin one such analysis by reiterating the classic

types of regional economic formations proposed by Bela Balassa (1961): free trade areas, customs unions, common markets, economic unions and fully integrated economies, the last of which Çarkoğlu, Eder and Kirişçi (1998, 17) call “political union.” They go on to list several forms of political integration that might overlap with these types of economic regionalism: detente, rapprochement, entente, appeasement, alliance and amalgamation (Çarkoğlu, Eder and Kirişçi 1998, 19-20). Unfortunately, all of the empirical examples that are presented to illustrate these overlapping conceptual notions are drawn from Europe, Latin America and East Asia. The 1965 Arab Common Market is mentioned in passing (Çarkoğlu, Eder and Kirişçi 1998, 21), but is not located in terms of any of these eleven analytical categories. Instead, the authors simply remark that “the Middle East remains a peculiar exception to the overall trend of regionalism. Among various regions, the Middle East is not only the least integrated into the world economy but is also characterised by the lowest degree of regional economic cooperation” (Çarkoğlu, Eder and Kirişçi 1998, 31).

Paul Aarts (1999) concurs. Aarts systematically surveys regionalist projects in the contemporary Middle East, highlighting three notable cases of “subregional integration”: the Gulf Cooperation Council (GCC), the Arab Maghreb Union (AMU) and the Arab Cooperation Council (ACC). Additional instances of regionalism in the Middle East are hinted at, but not mentioned explicitly (Aarts 1999, 913). By the end of the essay, the discussion comes to focus not so much on regionalism itself—which, the author claims, continues to be virtually non-existent in this part of the world—as on the potential for heightened “inter-Arab co-operation” (Aarts 1999, 920). Aarts concludes that at present “the Arab states do not coordinate; to the contrary, they compete. In the foreseeable future, the dominant strategy will be bilateralism, not regionalism or multilateralism” (Aarts 1999, 921; see also Tripp 1995; Lindholm-Schulz and Schulz 1998; Laanatza, Lindholm Schulz and Schulz 2001).

More firmly grounded in the international relations literature on regionalism stands Melani Cammett’s (1999) focused comparison of the GCC and the AMU. The essay situates these two cases in the context of ongoing debates concerning the connection between the internationalization of trade and investment on one hand and the emergence and consolidation of “regional [economic] blocs” on the other (Cammett 1999, 380). Cammett points out that both sets of terms tend to be deployed in confusing ways; she thus proposes to follow Robert Keohane and Helen Milner (1996) in defining internationalization as “processes generated by underlying shifts in transaction costs that produce observable flows of goods, services, and capital,” and to adopt Andrew Hurrell’s (1995) distinction between “state-led ‘regional integration’ efforts” and “regionalization,” that is, the dynamic whereby “autonomous economic processes ...lead to higher levels of regional interdependence within a given geographical area” (Cammett 1999, 380). In these terms, Cammett concludes that the GCC and AMU more closely approximate instances of regionalization than they do the sort of government-sponsored regional integration that one finds in other parts of the world.

Michael Hudson (1999) revives a typology of regional security formations that was originally formulated by Karl Deutsch (1957). This scheme categorizes regional entities in terms of a) their degree of “integration,” defined as “the attainment, within a territory, of a ‘sense of community’ and of institutions and practices

strong enough and widespread enough to assure, for a ‘long’ time, dependable expectations of ‘peaceful change’ among its population;” and b) the extent to which they are “amalgamated,” that is, enjoy a “formal merger of two or more previously independent units into a single larger unit, with some type of common government” (Hudson 1999, 5). Hudson (1999, 5) observes that “the ‘amalgamated security community’ encompasses the Arab nationalists’ dream.” On a more practical level, he claims that the United Arab Emirates and the Republic of Yemen represent cases of integrated-amalgamated entities; the GCC might be categorized as integrated but not amalgamated, as could several other pairings of Arab states at particular points in time (Hudson 1999, 7). Hudson (1999, 7) concludes that “wahda (unity) in the traditional sense may be a chimera, but takamal (integration), tansiq (coordination), and ta’awun (cooperation) are not as scarce as the daily newspaper headlines might lead one to expect.”

Hudson goes on to list a number of “subregional groupings” that he does not try to incorporate into Deutsch’s conceptual framework. These include the 1958-61 United Arab Republic (Egypt and Syria) and the 1971-73 Federation of Arab Republics (Egypt, Syria and Libya), as well as the AMU and the ACC (Hudson 1999, 20-21). It also appears that the Joint Arab Economic Action project of the 1980s counts as an analogous form of subregional integration (Hudson 1999, 22). Given this heterogeneous mix of cases, Paul Noble (1999, 60) appears wise to concentrate on analyzing “cooperation rather than integration” in the contemporary Middle East.

Ahmed Galal and Bernard Hoekman (2003, vii) propose to investigate the course of ongoing “Arab economic integration,” despite the fact that such integration is immediately compared to “the European Union experience.” The authors assert that “examples [of Arab integration] include a 1953 treaty to organize the transit of goods trade among the states of the Arab League; a 1964 agreement between Egypt, Iraq, Jordan, and Syria to establish an Arab common market; a 1981 agreement to facilitate and promote intra-Arab trade signed by eighteen member states of the Arab League; the short-lived Arab Cooperation Council, made up of Egypt, Iraq, Jordan, and Yemen; and the Maghreb Arab Union, composed of Algeria, Libya, Mauritania, Morocco, and Tunisia” (Galal and Hoekman 2003, 3). A further instance is “the 1998 Greater Arab Free Trade Area (GAFTA) agreement” (Galal and Hoekman 2003, 5).

In defense of juxtaposing such a wide range of regionalist projects to the European Union (EU), Galal and Hoekman (2003, 7) point out that “both the EU and earlier [Arab integration] experiments were politically motivated. Both sought to use economic cooperation as a mechanism for [political] integration.” They go on to claim that the historical experience of the EU can offer a useful guide to Middle Eastern policy-makers, and in particular teaches that the effort to promote regionalism requires leaders to envisage a clearly-articulated “ultimate objective” (Galal and Hoekman 2003, 10). Furthermore, the EU demonstrates that a variety of supranational institutions must be created in order to nurture and enhance integration.

What these otherwise disparate studies share is a tendency to lump together regionalist projects that differ from one another in important ways. It goes without saying that phenomena that appear at first glance to be profoundly different can usefully be grouped together for analytical purposes, so long as this is done according

to well-defined theoretical criteria. Such is after all the promise of both Balassa's influential categorization of regional economic arrangements and Deutsch's elegant typology of security communities. But instead of formulating precise criteria that clearly delineate the basic components and range of values of the dependent variable, existing studies of Middle Eastern regionalism devote themselves to exploring the plethora of independent variables that can be hypothesized to stimulate, enhance, derail or block regionalist projects. They thus fail to recognize that it is premature to assess causal arguments and processes, so long as what we are trying to explain remains ill-conceived.

Broader Conceptual Approaches

Perhaps the most influential line of argument concerning regional integration at the present time is the New Regionalism Approach (NRA) pioneered by Bjorn Hettne and Fredrik Söderbaum (1998). This research program posits a sharp break between the "old regionalism" of the 1960s and the "new regionalism" of the post-Cold War era. Whereas earlier regionalist projects tended to be imposed from outside, newer ones "involve more spontaneous processes that often emerge from below and within the region itself, and more in accordance with its peculiarities and problems." Largely for this reason, "regionalism refers to the general phenomenon as well as the ideology of regionalism, that is, the urge for a regionalist order, either in a particular geographical area or as a type of world order. There may thus be many regionalisms." Regions are identified as geographical areas that "constitute a distinct entity, which can be distinguished as a territorial subsystem (in contrast with non-territorial subsystems) from the rest of the international system." But for the most part, Hettne and Söderbaum (1998, 9) argue that it is best

to maintain eclectic and open-minded definitions of regions, particularly in the lower stages of regionness and as far as their outer boundaries are concerned, which often tend to be the most blurred. There are thus many varieties of regions, with different degrees of regionness. This eclectic understanding of regions is made possible because the problematique of the NRA is not the delineation of regions per se, but rather to determine the role of regions in the current global transformation and analyse the origins, dynamics, and consequences of regionalism in various fields of activity; that is, increasing and decreasing levels of regionness.

How that task might be accomplished using such a loose definition of region is left unclear.

Recognizing the methodological problem, Hettne and Söderbaum offer a three-stage characterization of "regions in the making." The first stage consists of "proto-regions," which take shape largely within the context of physical and ecological constraints, such as "Africa south of the Sahara" or "the Indian subcontinent." The second stage involves the emergence of regions per se, and "could start with either 'formal' intergovernmental regional cooperation/state-promoted regional integration or 'informal' spontaneous market- and society-induced processes of regionalization, in any of the cultural, economic, political or military fields, or in several of them at

the same time.” The third stage appears when a region becomes an “acting subject with a distinct identity, institutionalized actor capability, legitimacy, and structure of decision-making, in relation to a more or less responsive regional civil society, transcending the old state borders.” Since even this sort of framework turns out to “cover too many phenomena to be useful as an analytical tool,” the authors lay out four defining features of regionalism: comparatively loose or informal “intergovernmental regional cooperation” versus more formal “state-promoted regional integration”; “market- and society-induced regionalisation;” “regional convergence and coherence;” and heightened levels of “regional awareness and regional identity.” That such aspects of regionalism may turn out to be both defining characteristics and causal processes seems to Hettne and Söderbaum to be an advantage, rather than an obstacle, to further research.

Shaun Breslin, Richard Higgott and Ben Rosamond (2002, 14) assert in a more recent overview of scholarship on regionalism that “the literature comparing regional projects remains stubbornly small. Most detailed analyses examine individual regional processes that attempt to place the case study at hand in a wider comparative context.” They attribute this sorry state of affairs to a widespread fixation on the experience of the European Union and the general unwillingness of western scholars to delve into the complexities of regionalism in peripheral parts of the world (see also Cochrane 1969). On the other hand, Breslin, Higgott and Rosamond (2002, 17) point out that “to undertake comparison, we need to have something with which to compare,” so focusing on the EU may not be completely wrong-headed. This methodology highlights the facts of particular cases, and downplays the importance of analytical frameworks that might give structure to meaningful comparisons. It thus demonstrates the essentially positivist nature of Breslin, Higgott and Rosamond’s research enterprise.

Rather than address the epistemological problem directly, the authors simply distinguish between regionalism and regionalization, and argue that “this distinction opens more possibilities for studying those processes of regional integration in those parts of the world where more formalized, EU style regional organizations are absent” (Breslin, Higgott and Rosamond 2002, 20). Nevertheless, the focus of study remains fixed on juxtaposing various “processes of integration” (Breslin, Higgott and Rosamond 2002, 21). It is unclear whether this term refers to causal processes (independent variables) or outcomes (dependent variables). Comparing causal processes may be a useful, second-order research enterprise, but it is likely to distract us from investigating the sources of divergent types of regionalism.

Luk Van Langenhove (2003, 4) claims that the notion of region “is a polysemous concept: it has different meanings as ‘region’ can refer to geographical space, economic interaction, institutional or governmental jurisdiction as well as to social or cultural characteristics.” Yet he also points out that “this conceptual vagueness has consequences for the theoretical and empirical quality of ... research. Without a clear view of what constitutes a region, it becomes difficult to analyse what regional integration is and how that is realised.” Consequently, he constructs a four-factor model of “regionhood.” First, regions “exist as entities ...if they (i) have a certain degree of autonomy (intentional acts) and (ii) have the power to engage in some sort of purposive action.” Second, regionhood entails the capacity for regional actors to

behave rationally in pursuit of their own interests. Third, a region comes into existence when it takes part in reciprocal relations with other regions: "A and B encounter each other as Regions to the extent that A's regionification of B is reciprocated by B's regionification of A." Fourth, regionhood implies the ability to "express meaning towards other social actors and personal actors as well as possessing a particular identity." Taken together, these four factors determine the degree to which a region exhibits unity within a well-defined spatial domain.

Finally, in a paper that promises to cover much of the same ground as this one, Rodrigo Tavares (2004) sets out to canvass the existing literature on regionalism in order to put future scholarship on firmer footing. Tavares asserts that earlier writings offer a wide range of ways to delineate regionalist projects as a dependent variable. He then reiterates the basic distinction between "regionalism" and "regionalization." Nevertheless, the largely implicit notion of region that Tavares adopts turns out to be broad enough to encompass "the thirty-three regional trade agreements (RTAs) signed between 1990 and 1994," the Economic Community of West African States and the Association of Southeast Asian Nations (Tavares 2004, 10). And the bulk of the essay is once again devoted to categorizing alternative explanatory arguments (that is, causal factors and processes), rather than making a concerted effort to elucidate just what it is that all of these studies are trying to explain (see also Katzenstein 1996; Schulz, Söderbaum and Öjendal 2001).

Back to Basics

"First wave" scholarship on regional integration confronted the same set of conceptual problems that exercises students of Middle Eastern regionalism and proponents of the New Regionalism Approach today. The difficulties were met head-on in a succession of pioneering essays by Joseph Nye, which culminated in his 1971 book *Peace in Parts*. Nye (1968, 858) starts out by positing three distinct aspects of regionalism: economic (the "formation of a transnational economy"), social (the "formation of a transnational society") and political (the "formation of transnational political interdependence"). These dimensions of regionalism may well covary, but are equally likely to diverge in crucial ways. It is even possible that a decline in one of these three aspects of regionalism will be associated with an increase in the other(s). In short, "this [analytical] disaggregation will tend to force us to make more qualified, and more readily falsified, generalizations with the *ceteris paribus* clauses filled in, so to speak, and thus pave the way for more meaningful comparative analysis than that provided by the general schemes used so far" (Nye 1968, 858).

Economic integration is most often measured in terms of Balassa's classic typology. But it is not clear that this ubiquitous framework entails distinct analytical categories: Nye (1968, 860-861) finds that "the East African Common Market [exhibits] considerably more harmonization of fiscal and monetary policy (characteristic of 'stage' four [economic unions]) than free flow of factors ('stage' three [common markets])." Furthermore, it is almost impossible to apply the Balassa framework to state-supervised economies. Nye (1968, 861) therefore proposes to replace it with a combination of two more succinct measures: "Trade integration

(EI_t) would be the proportion of intraregional exports to the total exports of the region. Services integration (E_S) would be expenditures on jointly administered services (including the administration of trade integration schemes) as a percent of Gross National Product (GNP).” Using these indicators, one can convincingly show that in 1965 the East African Common Market was characterized by a much higher degree of economic integration than the Central American Common Market (Nye 1968, 862).

Nye’s discussion of social integration deals largely with issues that were peculiar to the academic controversies of the early 1960s. Specifically, it concerns whether or not concrete indicators of the growth of common identity and mutual self-awareness—such as the amount of mail, student exchanges, telephone calls and other “transactions” that take place among countries—accurately reflect the trends that they are intended to measure (Nye 1968, 862-863). Scholars today would almost certainly gravitate toward other sorts of indicators of shared identity and mutual interest. More insightful is Nye’s (1968, 864) remark that measures of relative community can be expected to be more useful than measures of absolute community. In other words, it is important not only to know whether or not the populations of two countries share a high degree of affinity toward one another, but also to determine whether they share a greater common identity with each other than each of them does with third countries.

Nye (1968, 864) admits that “political integration is by far the most ambiguous and difficult [of the three types of integration] for which to develop satisfactory indices.” He provisionally proposes four discrete measures: institutional, policy interactional, attitudinal, and Deutsch’s (1957) notion of a security community. The first is relatively straightforward: High levels of political/institutional integration are present whenever there exist strong, centralized administrative agencies that possess the authority to govern the affairs of the states under their purview. Secondly, the more aspects of member-states’ affairs fall under the jurisdiction of multilateral institutions, the greater the level of political/institutional integration. In Nye’s (1968, 867) words, “we can judge jurisdictional integration by a composite measure of several factors: supranationality of decisionmaking; scope of local powers; fulfillment of scope; and expansion of jurisdiction.” Such factors can be measured either in terms of formal treaties or according to observed practice.

Political/policy integration refers to “the extent to which a group of countries act [sic] as a group (by whatever means) in making domestic or foreign policy decisions” (Nye 1968, 868). This in turn involves three things: “1) the scope (how many policy sectors are treated in common); 2) the extent (how much of a sector is treated in common); and 3) the salience (how important they are).” None of these notions looks particularly easy to operationalize. Nye defers to Leon Lindberg (1967) for a listing of key “policy sectors.” The list consists of seventeen sectors: external affairs, public safety, property rights, civic rights, morality, patriotism, education, recreation, knowledge, health, indigency, utilities, money and credit, production and distribution, economic development, transport and communication, and resources (Nye 1968, 870). Scores for each sector reflect the degree to which decisions in that area are made multilaterally (a high score) or by each member-state on its own (a low score).

Political/attitudinal integration seems on its face to be a good deal easier to measure, but can easily turn out to be misleading. Opinion surveys, both of elites and the general public, might show strong support for greater unity, but nevertheless be far out of step with actual policy integration. Nye recommends that expressions of elite and popular opinion be supplemented with measures of observed “behavior [that entails] sacrifice or trust” (Nye 1968, 872). For example, “do states insist on ‘balancing the ledger’ within each issue area, or are they willing to agree to packages in which they come out a little short on one item but a little ahead in another?”

Finally, Nye recommends retaining Deutsch’s concept of a security community, in which countries in a particular region find it increasingly hard to imagine resorting to war with one another. This concept may be hard to operationalize, not only because an accurate mapping of what are now called “militarized interstate disputes” is sorely lacking with regard to many parts of the world (including the contemporary Middle East) but also because what counts as belligerent or threatening action is likely to differ markedly from region to region (Nye 1968, 873-874). Still, it is probably worth the effort to chart whether or not countries are moving in the direction of abandoning the option to wage war against each other, as part of a comprehensive measure of political integration.

Given this variegated analytical framework, one can measure the degree of regionalism that characterizes different regionalist projects at various times. It becomes possible to demonstrate in a convincing fashion whether one case exhibits a greater degree of regionalism than others, as well as whether regionalism (or perhaps better “regionalization”) is increasing (or, to adopt more contemporary terminology, “deepening”) as time passes. Whether or not the framework that Nye proposes makes it easier to generate theories of regional integration, as he himself (Nye 1968, 875-876) believes, is open to serious question. This might be the case if one component of integration turns out to be produced by another—for instance, if higher levels of economic integration generate greater political/institutional integration. Such arguments were commonplace in the mid-1960s, but look much less attractive today (Hansen 1969).

Nye subsequently adopts a quite different set of criteria for differentiating regional organizations from one another. In *Peace in Parts*, he suggests that regionalist projects “can be distinguished by their major official or formal function (military security, political diplomacy, economic development, or whatever); by the number of their functions in practice (mono-functional versus multi-functional); by the controversiality of their functions (‘technical’ versus ‘political’); by the size of their members (egalitarian or nonegalitarian); by the degree of geographical contiguity of the memberships; and by a number of other criteria” (Nye 1971, 5). More precisely, Nye proposes a two-dimensional typology of regionalist experiments, in which one axis represents the “primary stated function” of the organization (“military security,” “political” or “economic”) and the other axis reflects the “mileage between the most distant capitals” of the respective member-states (Nye 1971, 9). The Arab League ends up in the same cell of this six-fold schema as the Council of Europe, whereas the Central Treaty Organization falls into a different category from the North Atlantic Treaty Organization.

Fortunately, Nye quickly abandons this revised framework and reverts to categorizing regionalist projects according to the criteria advanced in his earlier writing, albeit with several significant changes. First, he substitutes the notion of “trade interdependence” for that of “trade integration” (Nye 1971, 30). Oddly enough, he defines the two terms the same way, despite their sharply divergent connotations. Nye does appear to recognize the fundamental difference between trade interdependence and trade integration, remarking that “EIT can be a measure of regional autarchy as well as interdependence” (Nye 1971, 30) and that “the political effects of increased economic interdependence will depend upon a number of other factors, such as perceptions by relevant political elites, asymmetry of dependence, and other forms of dependence” (Nye 1971, 31). But there he lets the matter drop, and does not go on spell out how one might calculate levels of trade interdependence in ways that reflect the critical difference between this concept and the more straightforward notion of trade integration. He even applies the term interdependence to the exchange of services among member-states of a regional entity, without elaborating what “interdependence in services” might mean (Nye 1971, 31).

Second, Nye greatly expands the notion of political/institutional integration. Building on the work of William Coplin (1966), he proposes to rank regional organizations in terms of the degree to which multilateralism pervades “(1) [the] gathering, analyzing, and distributing [of] information, (2) [the] recommending [of] national laws and actions, (3) [the] evaluating [of] state activities in terms of the [regional] organization’s goals, (4) [the] creating and administering [of] regulations, and (5) [the] performing [of] specific actions involving expenditures of funds with important impact on the resources of some members.” In addition, Nye points to how much multilateralism there is in “(6) helping to determine [a regional organization’s] own budget and staff and (7) helping new policies that expand the scope of existing tasks” (Nye 1971, 40). Furthermore, regionalist projects can be differentiated in terms of whether procedural decisions are reached unanimously or by simple or weighted majority vote, and whether such decisions are subject to veto by particular states. One indication that the new version of political/institutional integration has become excessively cumbersome is that Nye himself abandons it, and announces that “in this book, the dependent variable chosen is policy integration” (Nye 1971, 59).

Meanwhile, Philippe Schmitter (1970) had undertaken to revise the classic theory of regionalism that he had formulated in collaboration with Ernst Haas. Schmitter’s “revised theory of regional integration” stipulates an explicitly state-centered dependent variable: the degree to which states implement policies designed to expand or contract the scope of regional authority in the context of external crises (Schmitter 1970, 844). Such policies can be characterized along two axes: the amount of authority that states cede to regional institutions, and the number of issue-areas turned over to such institutions (Schmitter 1970, 845). A state can therefore pursue seven distinct policies with regard to regionalism: it can engage in “a) spillover, i.e., to increase both the scope [of authority granted to the regional organization] and level of his [sic] commitment [to enlarge the purview of the organization] concomitantly; 2) spill-around, i.e., to increase only the scope while holding the level of authority constant or within the zone of [the state’s] indifference [to what the organization

does]; 3) buildup, i.e., to agree to increase the decisional autonomy or capacity of joint institutions but deny them entrance into new issue areas; 4) retrench, i.e., to increase the level of joint deliberation but withdraw the institution(s) from certain [issue] areas; 5) muddle-about, i.e., to let the regional bureaucrats debate, suggest, and expostulate on a wider variety of issues but decrease their actual capacity to allocate values; 6) spill-back, i.e., to retreat on both dimensions, possibly returning to the status quo ante initiation; 7) encapsulate, i.e., to respond to crisis by marginal modifications within the zone of indifference,” that is, to do nothing to increase either the authority or the general purview of regional institutions (Schmitter 1970, 846). Somewhat discouragingly, Schmitter points out that option 7) tends to predominate in world affairs.

First wave studies of regionalism culminated in Louis McCall’s (1976) ambitious attempt to lay out “an axiomatic theory of integration.” McCall (1976, 23) postulates that “integration is a process of increasing mutual association.” This dynamic may on occasion eventuate in political unification, but even unification represents only one stage in a more comprehensive process. “Therefore,” McCall (1976, 23) notes, “one cannot say that Egypt and Syria were integrated in 1958, only that the process of integration had reached a certain marker point. The two nations had to continue their process of integration from the national rather than international perspective even after formal unification. That the process of integration and disintegration was not static in the United Arab Republic was evidenced by its split in 1961.”

More precisely, McCall (1976, 34) distinguishes regionalist projects on the basis of three variables: “(1) common membership in international governmental organizations (IGOs), (2) common membership in international nongovernmental organizations (NGOs), and (3) regional exports as a percent of total exports.” These variables appear to have been selected specifically to correspond to Nye’s notions of political, social and economic integration (McCall 1976, 50). McCall then applies the statistical technique known as factor analysis, not only to assess the validity of these three components of regional integration but also to construct an aggregate measure of the relative strength of integration across empirical cases. Based on this operation, McCall (1976, 51) finds that in 1952-66 the European Economic Community proved to be slightly more integrated than the Central American Common Market, although both exhibited a remarkably high level of integration.

Types of Regionalism Redux

In light of the discussion so far, I propose to differentiate regionalist projects along four analytical dimensions: a) the degree to which regional institutions have the authority to formulate and implement policy with regard to important issue-areas, independently of the respective member-states; b) the rules that govern decision-making in such regional institutions; c) the extent to which regional formations have the capacity to provide incentives to induce member-states to comply with programs that further the interests of the region as a whole; and d) the degree to which regional institutions and agencies provide a foundation for heightened economic interdependence among member-states.

Operationalizing these concepts is no easy task. There is almost certainly a significant difference between regionalist projects whose institutions can legitimately draw up and carry out policies with regard to a significant number of important issue-areas, and ones in which regional agencies exercise autonomous authority over none. Given the wide variety of issue-areas identified by Lindberg and Nye, however, defining “a significant number” of issue-areas as more than half (that is, eight or nine out of seventeen) seems excessive. In fact, ceding control over as few as two important issue-areas to multilateral institutions is likely to be a remarkable act on the part of self-interested, sovereign states, each one jealous of its long-standing prerogatives and deeply distrustful of the intentions of others. It therefore seems reasonable to designate three distinct types of regionalist projects: 1) ones in which multilateral institutions exercise authority over no important issue-areas; 2) ones in which multilateral institutions exercise authority over one or two important issue-areas; and 3) ones in which multilateral institutions exercise authority over three or more important issue-areas.

How decisions are taken in multilateral institutions plays a central role in distinguishing regionalist projects. Regional organizations in which policy can only be made if each and every member-state approves have little in common with ones that are able to adopt and implement policies even if not all member-states vote to do so. It thus makes sense to code decision-rules according to whether policy-making in regional institutions operates i) on the basis of unanimous consent, ii) according to some arrangement whereby a subset of member-states exercises a veto or iii) by majority vote (whether simple or weighted) on the part of member-states. It is important to remember that characterizing decision-making procedures on the basis of the formal agreements associated with multilateral institutions is likely to blind us to the ways in which such agencies actually work. In the case of the GCC, for instance, it is hard to imagine that any significant policy could be adopted without the support or acquiescence of Saudi Arabia, no matter what the GCC Charter might say. Determining whether or not particular member-states enjoy *de facto* veto power is more likely to involve informed judgments than iron-clad rules.

Incentives that promote compliance with regional directives come in many forms. The most obvious entail positive and negative economic sanctions, which either reward member-states for complying with regional interests or punish them for acting in a self-interested or exploitative manner, respectively. Some (but not many) multilateral institutions command pools of resources that enable them to confer or withhold such sanctions at their own discretion; others possess no resources of their own, and must rely on member-states to carry out remunerative or punitive measures. Between these two extremes stand regionalist projects that include free trade agreements, which offer greater market efficiencies that make it highly (and increasingly) unattractive for member-states to defect. Equally important are the recognition and prestige that multilateral institutions accord to member-states so long as they remain in good standing. In addition, regional organizations often provide members with diplomatic, military and moral support in the face of threats from outside; thus regionalist projects that include a collective security pact can be expected to differ markedly from ones that do not.

Finally, regionalist projects differ with regard to how reliant member-states are on one another. Although existing studies tend to measure levels of regionalism in terms of the proportion of total trade, investment, communication and other factors that member-states exchange among themselves, it is more instructive to differentiate regionalist projects according to how costly it would be for member-states if trade, investment, communication and so on were to be cut off. This way of defining interdependence corresponds to notions held by most students of world politics, as well as to common sense (Baldwin 1980). Whether or not multilateral institutions are taking steps to promote regional interdependence might be inferred from official pronouncements, although it goes without saying that public statements of intent must be treated with a good deal of caution and skepticism. More perplexing is the question of whether heightened interdependence should be measured on the basis of explicit programs that encourage the growth of relationships whose disruption would prove equally costly to member-states, or instead according to the unintended emergence of such relationships. At least for now, I recommend that assessment be based on the former.

These four dimensions offer a promising typology that can be used to categorize different forms of regionalist projects, in the contemporary Middle East and elsewhere. The resulting categories are presented in Figure 1.1. A more precise way of distinguishing types of regionalism would be to conceive of each component of the dependent variable as a continuum, along which particular cases might be situated relative to one another. But since four-dimensional space is virtually impossible to draw on a one-dimensional surface, and almost as hard to envisage, the matrix in Figure 1.1 represents a reasonable basis for further exploration.

		<i>Incentives for Compliance</i>					
		<i>States Provide</i>		<i>Free Trade Area or Collective Security Pact</i>		<i>Resource Pool</i>	
		<i>No Basis for Greater Interdependence</i>	<i>Initiatives Designed to Heighten Interdependence</i>	<i>No Basis for Greater Interdependence</i>	<i>Initiatives Designed to Heighten Interdependence</i>	<i>No Basis for Greater Interdependence</i>	<i>Initiatives Designed to Heighten Interdependence</i>
<i>Number of Issue-Areas over which Multilateral Institutions Exercise Authority</i>	<i>None</i>	[Unanimity]				AMU	
		[Veto]					
		[Majority vote]					
	<i>One or Two</i>	Unanimity		ACC			
		Veto					
		Majority vote					
	<i>Three or More</i>	Unanimity					
		Veto					
		Majority vote					

Figure 1.1 Types of regionalist projects

Reframing Middle Eastern Regionalism

Just where any particular instance of regionalism in the contemporary Middle East can best be situated according to this matrix is open to debate. Many of the regional formations that occupy prominent places in the growing literature on Middle Eastern regionalism—the Arab League, the Gulf Cooperation Council, the Organization of the Islamic Conference, the Greater Arab Free Trade Area and the Mediterranean Arab Free Trade Agreement—receive detailed treatment in the other essays contained in this volume. To illustrate the utility of the typology offered here, I will present brief surveys of two regionalist projects that complement the more extensive case studies: the Arab Maghreb Union and the Arab Cooperation Council.

Arab Maghreb Union

By signing the February 1989 Treaty of Marrakesh, Morocco, Algeria, Mauritania, Tunisia and Libya initiated a regionalist project to promote economic and social progress, interstate peace and “the free circulation of persons and goods, and the free transfer and movement of capital” throughout North Africa (Messaoudi 1994, 55; Deeb 1989; Romdhani 1989; Aghrout and Sutton 1990). The treaty established a cluster of regional institutions, which included a Presidential Council consisting of the leaders of the five member-states, a council of foreign ministers, a 100-member Consultative Assembly, a ten-member judicial council charged with adjudicating “any disputes over the interpretation and implementation of the treaty and over the agreements signed within the framework of the union” and a General Secretariat, whose offices rotated among the capitals of the member-states every six months (Messaoudi 1994, 56). In addition, special committees were set up to coordinate the activities of the five AMU countries in the broad areas of economy and finance, infrastructure, food security and human resources (Finaish and Bell 1994, 41).

Authority to make policy has from the outset rested exclusively in the hands of the Presidential Council, where all decisions require unanimous consent in order to come into force (Finaish and Bell 1994, 7; Aghrout and Sutton 1990, 135). At first, the Presidential Council met once every six months, but starting in 1992 it convened only once a year. This change accompanied the establishment of a permanent secretariat headquarters in Rabat. By 1994, the secretariat employed more than two dozen full-time administrators (Finaish and Bell 1994, 8).

AMU institutions operate entirely at the sufferance of the individual member-states. The organization’s annual budget is financed in equal portion by the five governments, and special projects require supplemental funding from the member-states. No surplus remains at the end of each fiscal year to provide regional agencies with a permanent pool of resources that might be used to induce states to comply with AMU directives. On the other hand, Article 14 of the 1989 treaty does declare that “any act of aggression against one of the Member Countries will be considered as an act of aggression against the other Member Countries” (Finaish and Bell 1994, 40). Although this provision falls somewhat short of a full collective security agreement, it strongly implies that each member-state will rally to the defense of the others in case of attack. More importantly, Article 15 stipulates that “the Member

Countries undertake to allow on their respective territories no activity or organization which might prove harmful to the security, territorial integrity or political system of any Member Country” (Finaish and Bell 1994, 40). This provision represents a substantial inducement to each of the five states to keep itself in good standing in the union.

Even after five years in existence, informed observers reported that “intra-AMU trade is small, unbalanced, and volatile” (Finaish and Bell 1994, 12). Any augmentation of regional trade has been severely hampered by the fact that “member country production structures are competitive rather than complementary” (Finaish and Bell 1994, 14; Aghrout and Sutton 1990, 126-127). Nevertheless, small steps toward greater interdependence among member-states were undertaken in the wake of the 1989 treaty. The issuance of regional identity cards greatly facilitated the migration of skilled and unskilled workers from labor-rich Morocco and Tunisia to labor-poor Libya; in return, Libya, along with Algeria, supplied much of the oil and natural gas used by energy-deprived Morocco and Tunisia (Blin and Gobe 1989, 381). Furthermore, under the auspices of the AMU “some countries have benefited significantly from the experience of other members regarding administrative matters in particular” (Finaish and Bell 1994, 10). Such arrangements have made it possible for perennially underemployed Tunisian and Algerian professionals to offset the chronic shortages of human capital that afflict Libya and Mauritania. As a result, at least one observer has suggested that the creation of the AMU has consolidated the exchange of “necessities” among member-states (Testas 1999, 117).

It therefore makes good sense to locate the Arab Maghreb Union in the fourth column of the matrix presented in Figure 1.1. And given the member-states’ evident reluctance to cede authority over any important issues to AMU institutions, it clearly belongs in the first row as well. This implies that the AMU exhibits a relatively low level of regionalism, but not the lowest level possible. Further progress toward regional integration remained frozen during the second half of the 1990s, as the Presidential Council failed to meet in the years after 1994. Plans to resume the annual summit meetings only took shape as the decade ended, at the insistence of the European Union which promised a basket of incentives as part of the Euro-Mediterranean Partnership Initiative if the AMU would reinvigorate the drive to forge an integrated North Africa. Even then, however, negotiations between the five member-states and the EU took the form of competing bilateral talks. And the Tunisian government soon turned its attention toward the campaign to adopt the Arab Free Trade Treaty (GAFTA), instead of pushing for the creation of a smaller free trade area among the AMU states (Middle East Economic Digest 1999).

Arab Cooperation Council

One day before the AMU’s founding treaty was signed in Marrakesh, the leaders of Egypt, Jordan, Iraq and the Yemen Arab Republic announced in Baghdad that they had created a regional formation of their own. The primary objective of the Arab Cooperation Council was to promote the expansion and integration of the economies of the four member-states. The Jordanian government, which played a crucial role in the construction of the new project, appears to have been inspired by the experience

of the European Economic Community during the 1960s (Ryan 1998, 387; Wahby 1989, 61). The February 1989 agreement that set up the council provided for a Supreme Body, made up of the four heads of state; a Ministerial Body, consisting of the “heads of government of the member-states or those acting as such;” and a General Secretariat located in Amman (“Agreement on the Establishment” 1989).

Policy-making authority was vested exclusively in the Supreme Body, which was empowered to act on “the recommendations placed before it by the Ministerial Body” (“Agreement on the Establishment” 1989, 118). Meetings of the Supreme Body were to take place once a year, alternating among the member-states. As with the AMU, “the head of the host state shall preside over the Supreme Body for a full annual term” (“Agreement on the Establishment” 1989, 119). Unlike the AMU, however, the Supreme Body was authorized to conduct business even in the absence of one or more of the members: “The convening of the meetings of the Supreme Body shall be considered as valid by the presence of a majority of member-states” (“Agreement on the Establishment” 1989, 119). The same rule governed regular and extraordinary meetings of the Ministerial Body. More important, the ACC’s charter provided that decisions of the Supreme Body be taken by majority vote: “In adopting decisions in all organs of the council, member-states shall seek to achieve unanimity and consensus amongst themselves. In the absence thereof, decisions shall be taken by a majority of member-states and such decisions shall be binding upon all” (“Agreement on the Establishment” 1989, 120; Wahby 1989, 62).

The General Secretariat of the ACC enjoyed no more autonomy from member-states than did its AMU counterpart. Operating budgets were to be drawn up each year for consideration by the Supreme Body, and funded in equal portions by the four governments (“Agreement on the Establishment” 1989, 121). The council explicitly advocated “the establishment of a common market amongst member-states,” and envisaged this project “as a step towards the establishment of the Arab common market and Arab economic union” (“Agreement on the Establishment” 1989, 118). But no concrete steps were taken to institutionalize a regional free trade area during the first year and a half of the ACC’s existence. At the same time, the organization carefully avoided committing itself to formulating any kind of mutual security pact (Ryan 1998, 399).

Measures to enhance interdependence among the four economies were nevertheless quickly adopted. At its inaugural meeting in June 1989, the Supreme Body abolished entry visas for citizens of member-states, a step that in Curtis Ryan’s words “vastly facilitate[d] the free flow of labor,” especially from Egypt and Jordan to Iraq (Ryan 1998, 389). Egypt and Jordan found themselves particularly dependent on finding and protecting external employment for their large reserves of skilled and unskilled workers, in light of the high levels of foreign debt being carried by their respective governments (Wahby 1989, 63); at the same time, Iraq was unable to field a large enough domestic workforce to carry out the extensive reconstruction program that confronted the country in the aftermath of the 1980-88 war with Iran. More generally, the ACC buttressed the commercial and financial connections between Jordan and Iraq that had enabled these two economies to survive the disruptions caused by the war. Maintaining high levels of trade with Iraq was particularly vital

for Jordan, whose domestic political stability depended on the continued prosperity of the largely Palestinian-born business community (Ryan 1998, 395).

It therefore seems appropriate to place the ACC in the second column of the matrix presented in Figure 1.1. Which row of the matrix makes most sense is less obvious. There appear to have been no issues over which ACC institutions exercised autonomous authority during the eighteen months of its existence; yet the principle of majority rule that was firmly enshrined in its founding charter clearly stands out, and sharply differentiates the organization not only from the AMU but also from all other regionalist projects in the contemporary Middle East. Had the ACC managed to survive the upheaval surrounding the Second Gulf War of 1990-91, its developmental trajectory could have been expected to have taken a unique direction.

Conclusion

Regionalist projects in all parts of the world share similar basic objectives and deploy almost identical rhetorical tropes in their founding documents and official pronouncements. Moreover, nearly all regional formations take care to preserve the sovereign prerogatives of member-states, and consequently exercise autonomous authority over few if any significant issue-areas. Yet the institutional arrangements and procedural rules that characterize regional formations vary widely across different empirical cases. These differences lay the foundation for divergent developmental trajectories, and may even determine whether a particular regional entity survives and flourishes or instead stagnates and collapses.

In the contemporary Middle East, a wide range of regional experiments is in evidence. All of them claim to promote Arab unity, and the great majority also calls for an end to existing restrictions on trade, investment and labor flows across the region. In addition, and somewhat contradictorily, they also insist on protecting the sovereignty of member-states, and champion the twin principles of self-determination and non-intervention in internal affairs. But they nevertheless differ from one another in crucial ways. Some of these formations can provide incentives to member-states to comply with initiatives that further the interests of the region as a whole; others must rely on governments to promote or enforce multilateralist programs. Some entail arrangements that heighten the degree of interdependence among member-states, while others offer little or no support for greater interdependence in the regional economic order. With regard to decision-making, most formations operate according to a rule of unanimity, thereby preserving the sovereignty of member-states. But at least one recent experiment, the Arab Cooperation Council, adopted a fundamentally different set of procedural rules, one that moved beyond the bounds of state sovereignty and opened the possibility of a deeper form of regionalism. It seems likely that the very ambitiousness and riskiness inherent in this regionalist project contributed to its rapid demise.

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Chapter 2

Analyzing Regional Cooperation after September 11, 2001: The Emergence of a New Regional Order in the Arab World

Cilja Harders

Introduction

The events following September 11, 2001 have had and continue to have a considerable impact on the domestic, regional and international relations of the Middle East. The states of the region are confronted with a contradictory package of military intervention within the framework of the “war on terror,” external democratization programs, new types of security cooperation, and at least rhetorically strengthened Arab–European relations. The impact of these developments is contradictory, and it is still too early to assess their long-term effects.¹ Yet some characteristics of the evolving new regional order and the consequences it bears for regional cooperation can already be discerned.

In order to grasp the complex situation after September 11, 2001 I suggest a multi-dimensional approach drawing on different schools within IR-theory. The following chapter outlines such a heuristic framework that includes actors as well as institutions, and interests as well as identity and norms. It focuses on the 1) domestic, 2) regional and 3) international dimensions of politics and policies in the Middle East. In addition, three crosscutting phenomena have to be taken into account: 1) rentierism as an important structure of many Middle Eastern economies and societies, 2) discourses of Arab Muslim unity and/or the *ummah* and 3) transnational actors such as migrants, Islamists and human rights movements. Such a multi-dimensional framework combines rationalist and constructivist ideas with the perceptions of political elites in the region, thus strengthening an actor-oriented approach without neglecting structural constraints. This paper draws on the voices of 64 politicians, journalists, NGO activists, diplomats and academics from Morocco, Egypt, Syria,

¹ I thank all those diplomats, politicians, academics and activists who graciously shared their time and expertise, contacts and analysis with me. Their support was of utmost relevance to this project. Misconceptions and faults are solely my own responsibility. I benefited from the valuable comments of the participants of the Montecatini workshop, as well as from A. Bank, B. Strobel and M. Furness. I owe many thanks to Tanja Tästensen, Loredana Brezan, Malika Bouziane, Kaoutar Yermani, Usama Hamouda, and Lisa Jurcic from the project team.

Jordan and Lebanon, including diplomats in Brussels who were asked between 2003 and 2005 to assess the regional situation after September 11, 2001.²

I will first present the multi-dimensional approach, and then discuss the domestic and regional dimension of Middle Eastern politics after September 11, 2001 in more detail. The date “September 11, 2001” refers here to the concrete historical events following the attacks on New York and Washington, and subsequently also to a metaphorical manner. Obviously, politics and history are never determined by one single event, thus “September 11” symbolizes both: the trigger for distinctively new developments as well as accelerator of older structures and/or processes. I argue that the “war on terror” is the most important effect of these events. It led to a massive militarization and securitization of US foreign policies culminating in the wars against Afghanistan (2001) and Iraq (2003). The move to the declaration of a “war on terror” represents a significant shift in the central political paradigm of the international level. This war and especially the situation in Iraq in turn have triggered important changes on the regional level whereas the central political paradigm of the domestic level came under pressure but was not substantially challenged. In contrast, “9/11” impacted both as a direct trigger and as an accelerator on the regional level. As a result a new regional order evolves. Its main feature is an escalating degree of inter- and intra-state violence, especially in Iraq, but also in Lebanon, Israel, and the Palestinian territories. This severely limits the perspectives of successful regional political cooperation. At the same time, re-emerging competition for regional hegemony strengthens bilateral and informal diplomatic conflict management initiatives. New economic cooperation efforts like the 2004 Agadir-Agreement indicate that subregional economic cooperation gains importance.

The Middle East and North Africa after 2001: A Multi-dimensional Approach

If and how the “Middle East” can be characterized and defined as a region is the subject of political and academic debates. The US-led “Greater Middle East Initiative” of 2004 represents one of the many controversial attempts to delineate the region. Some criticized the “Greater Middle East Initiative” because the concept includes Pakistan or even the Caucasus, as this Syrian respondent points out:

It is a plan aiming at disintegrating the Arab nation by adding non-Arab states to the so called Middle East which—by the way—happens to be a phrase we do not subscribe to. We talk about the Arab region, the Arab homeland. So creating a Greater Middle East aims at disintegrating the Arab region or the Arab homeland by introducing foreign elements, particularly Israel.³

2 Drawing on the broad differentiation between leftists, nationalists, islamists and liberals, I included government officials, members of political parties, human rights activists, women’s rights activists, diplomats with regional and international expertise, journalists working for the local media, as well as researchers of differing political persuasion and with different degrees of proximity to their regime. Given the necessarily small sample of a qualitative study, the results and conclusions presented here are of heuristic and interpretative nature.

3 Even though not all interview partners asked for anonymous quotation many of them did. Thus, I indicate their nationality and their general institutional affiliation only.

Likewise, the Mediterranean focus of the Euro–Mediterranean Partnership—instead of an Arab one—is met with reservations (Ahmed 2000). The focus on “Arabness” as a central criterion of definition is rooted in the region’s history of Arab nationalism, and in the strong appeal of pan-Arabism as an important regional political vision (Hinnebusch 2005a; Tibi 1999). This perspective tends to neglect the religious (for example Sunni, Shii, Jewish, Christian, Allawi, Druse, Allevi, Zoroastic) and ethnic (for example Kurd, Berber, Arab) diversity of the region in favor of an imagined Arab community. It draws on aspects which are conventionally used to define a region such as a shared Arab identity and language, culture, geographical proximity as well as more or less intense economic, political and/or military interaction (Choi and Caporaso 2003, 481; Hurrell 2000), as this Jordanian politician stresses:

I just ask you to give me a nation with this size, people and geographical closeness with one religion, one language, and one history as we have here. We do not have half of the problems the Europeans have in terms of the origin of the people, the language, the wars between the countries. But whereas the Europeans unified they prevent us from unifying here.

Given these commonalities the basic puzzle of Middle Eastern regional cooperation and integration is the disputed subject of ongoing academic and political debate: Why, then, is the degree of cooperation so low?⁴

The given reasons vary according to the underlying theoretical assumptions (Korany 1999; Hudson 1999; Korany and Noble and Brynen 1993; Fawcett 2005). Neorealist approaches and dependency theories tend to focus on the huge power asymmetries between the states of the region and international players, which pursue national interests in the region. In addition, in spite of their aspirations, Egypt, Syria, Iraq or Saudi-Arabia could not establish themselves as long-term regional hegemonic powers. Noble argues that the 1990/91 Gulf war led to the establishment of a “balance of weakness” in the Arab region but also considers domestic structures as important reasons for weak cooperation results (Noble 1999, 74). Thus, the region’s internal splits, conflicts and lack of regional institution building are basically a product of external superpower intervention, asymmetric economic integration with Europe and the US, and balance of power politics. In my sample leftists, Arab nationalists and Islamists often voice such a view. In an early study, Binder depicted the Middle East as a subordinate subsystem (Binder 1958). Ismael, Hudson, Pawelka and Amin and el-Kenz speak about a “penetrated” and dependent system (Ismael 1986, Pawelka 1993; Hudson 1999,17; Amin and el-Kenz 2005).

Liberals, Institutionalists and Constructivists tend to trace more regional and domestic autonomy. Brown’s historical review and Perthes’ analysis of regional policies emphasize regional autonomy instead of dependency (Brown 1984, Perthes 2000). Fawcett and Nonnemann outline a multidimensional approach taking the international and domestic environment of Middle Eastern politics into consideration (Nonnemann 2005, Fawcett 2005a). Fawcett holds that the lack of cooperation can be attributed to the special nature of the region’s security dilemma which operates on

4 This definition includes Israel, Turkey and Iran as important regional actors and stresses the relevance of the Arab dimension of the MENA region.

interrelated levels and is closely linked to the relative weakness of Middle Eastern states (Fawcett 2005a:177). This leads to a

fragile relationship between the state and identity in the Middle East, which helps to explain the relative weakness of states. This in turn accounts for the disjuncture between ideas and institutions and the low levels of institutional cooperation generally (Fawcett 2005,177).

These scholars and some of my respondents argue that the dominance of national interests over co-operation interests, the limited reform-orientation of the regimes, the rent-economies and their demobilizing social pacts constitute the main reasons for the low degree of regional cooperation. The lack of reform-oriented regionalist elites and the contradictory policy orientations of business elites (industrial versus commercial) weaken potential actors of change (Aarts 1999, 919). Hinnebusch argues that the combined effects of elite formation, identity discourses and international constraints shape these policies:

Specifically, whether a state tends to embrace the externally imposed order or challenge it in the name of indigenous identity depends on whether the identities and interests of the dominant social forces incorporated in the process of state formation were largely satisfied or not by the material order. This sets states on differential status-quo or revisionist tangents that have proven remarkably enduring. (Hinnebusch 2005, 251).

I argue that regional actors are not just “set” on tangents shaped by international constraints but instead constantly strive to gain and widen their autonomy *vis-à-vis* these structures. The extent to which they are able to do so is delineated by domestic and international constraints that are influenced by the economic, political and social differences between the region’s states. Monarchies and Arab republics, rich and poor states, regional centers versus peripheries are confronted with specific domestic conditions, differing degrees of state building and differing degrees of regional and international autonomy. However, this article limits itself to outline some general trends and developments which need case specific and subregional differentiation. I suggest a model, which differentiates three levels (international, regional and domestic) and three crosscutting phenomena as the analytical structure.

The main structures, institutions, and actors of every dimension can be described as follows: On the *international level*, states are the main actors and they are involved in the complex dynamics of conflict and cooperation among each other and with respect to foreign powers’ interests and interventions. September 11, 2001 triggered the “war on terror” and led to a new foreign policy orientation of militarization and forced democratization of states in the region. This in turn triggered the development of a new regional order as it interfered in the regional processes of conflicts and cooperation, and the institutions and interdependencies these dynamics breed. Thus, on the *regional level*, September 11, 2001 set rather violent dynamics in motion as I will show in more detail later. Foreign military intervention is strengthening the “securitization” of regional cooperation for example within the framework of the Arab League, and is thus weakening an already feeble regional institution. At the same time, new efforts of sub-regional cooperation and economic integration such as the Agadir-Agreement and intensified GCC-interaction are taking shape.

Turning to the *domestic level* of analysis, regime stability constitutes a central focus of governmental action in the face of foreign policy challenges before and after September 11, 2001. Here, the “war on terror” is an accelerator of older trends and developments because it challenges the regime’s capability to generate legitimacy through two phenomena: First, renewed Arab–Islamic identity discourses in the light of foreign intervention. Second, growing public criticism of Arab regimes’ foreign policies especially with regard to the situation in Iraq has intensified the gap between pan-Arab rhetoric and action as I will show in more detail in the next chapter.

In addition, three relevant phenomena have to be taken into account on all levels. 1) Rentier-economies and the specific social-economic structures they produce constitute a stable structural context in the region. This did not change substantially even though recent rises in oil prices and changes in the distribution of US development payments had an impact on certain states. Rising state revenues will allow some regimes to uphold distributive legitimacy without being forced to address the question of economic reform and sustainable development seriously. 2) The ideal of Arab unity figures as an important political norm in the region. It takes the secular form of Arab nationalism or the religious form of reference to the Islamic *umma* (Barnett 1998). September 11, 2001 has strengthened the perception of international and regional politics as deeply ingrained with questions of identity. 3) Arab migrants, the Islamist movement and, though essentially weaker, the liberal human rights movements stand out as nationally ingrained transnational political actors. Those post-September 11 cultural discourses, which sharply differentiate themselves from everything “Western”, have provided transnational and regional Islamist movements with renewed public recognition and support. This in turn reflects on the domestic scene because it widens the foreign-policy-gap of the authoritarian regimes.

The International Level: Continuities Prevail

The *international level* is characterized by the complex dynamics of foreign power interests and interventions, and the regional state’s struggle for autonomy. In the academic literature and the interviews alike, the USA is perceived as playing a central role in the region (Hudson 1999). The US are the most important source of foreign military and development aid, the central intermediary in the Middle East peace process, the most relevant provider of security in the Gulf, and since March 2003 the main military power in Iraq and Afghanistan (Fawcett 2005). The “war on terror” is the most important effect of 9/11. It led to a massive militarization and securitization of US foreign policies culminating in the wars against Afghanistan (2001) and Iraq (2003). Thus, even foreign intervention in the region is a well-established historical pattern, since the independence of most Arab states came about; there have been no comparable attempts of long-term external military intervention and occupation in the Arab Middle East. The move from earlier forms of interaction with the region to the declaration of a “war on terror” represents a significant shift in the central political paradigm of the international level.

Yet, there have been other developments, too. Improved security cooperation for example between the US and Morocco, Algeria and even Libya comes with appeals

and pressure for political reform. The “Greater Middle East” initiative and the orientation of the US-administration under Bush towards “democratic peace” couple military intervention with diplomatic pressure (Hudson 2005). Still, the measures of the “war on terror” had a deep and negative impact on mutual perceptions. Arab–American relations have been in crisis ever since, especially when it comes to the assessments of the broader Arab public (Faath 2004, Center for Strategic Studies 2005). The refusal of France and Germany to send troops to Iraq, as well as the massive anti-war-protests of the European public, have strengthened the perception that Europe might be a more attractive partner as this Jordanian politician argues:

I think that Arab leaders are leaning towards American policy and American pressures more than they are leaning towards Europeans. The influence of the American government on our leaders is much stronger than the influence of your governments. But if we start talking sense, democratization, helping Arabs to deal properly with the issue of terrorism, the dialogue between civilisations, to bridge the gap and stay away from occupation and to solve political problems, above all the Palestinian one, then a partnership could develop easily and quickly. And I don't blame you for discussing immigration because it's a problem, and immigration will continue unless you establish law and order and stability in the Mediterranean region. We, Arabs and Muslims share half of the Mediterranean with you. So it is in your direct interest to find a solution for our problems.

Thus, the US approach of direct military and other “hard” pressures has provoked a lot of criticism by Arab leaders and publics alike. This might strengthen Arab-European relations in the long run. Even though the evaluations of the Euro–Mediterranean Partnership (EMP), inaugurated in 1995, point to the many weaknesses of this approach, its multilateral and regionalist dimensions represent a different model of international and regional relations (Harders 2005).⁵

The impact of the events following September 11, 2001 on the international dimension is contradictory: It triggered the intense militarization of US–Arab relations within the framework of the “war on terror” between 2001 and 2008 and the full fledged wars against Afghanistan and Iraq. This represents a significant shift in paradigms. These developments are met by growing public and official opposition in the region, thus strengthening those hostile mutual perceptions which focus on presumably irreconcilable “Western” and “Arab-Muslim” identities. These developments are embedded in older historical processes and thus, on the level of perceptions and identities, September 11 is an accelerator. Still, even though a stronger European role is sought after, the US remains the most important external actor in the region, and thus does constrain the policy choices of Arab regimes.

The Domestic Level: Contested Regime Stability

On the domestic level regime stability constitutes a central focus of governmental action in the face of foreign policy challenges before and after September 11, 2001. I argue that the “war on terror” is an accelerator of older trends and developments on the

⁵ It has to be noted, though, that the future of the EMP is quite unclear as it is meant to complement the European Neighborhood Politics (ENP).

domestic level because it challenges the regime's capability to generate legitimacy. Two developments can be discerned: Renewed Arab-Islamic identity discourses in the light of foreign intervention put regimes in a "rhetoric trap" (Schimmelfennig 2001) position *vis-à-vis* the population, as 9/11 accelerated islamised identity discourses. Thus, growing public criticism of Arab regimes' foreign policies, e.g. with regard to the situation in Iraq intensifies the gap between pan-Arab rhetoric and action. This is of special importance to the authoritarian regimes because they are confronted with the increasingly difficult task to adapt to the effects of a deepening economic, political and social crisis (AHDR 2002, 2003, 2005, 2006). So far, the regimes have been successful in preserving regime stability even though their strategies vary of course according to regime-type, level of economic development, and conflict involvement (Faath 2003; Jünemann 2003; Kienle 2003; Freedom House 2005; Anderson 2006).

I will first sketch the main reasons for today's crisis of legitimacy and discuss the most relevant regime strategies to confront these. Informalization and islamization are of special importance as September 11, 2001 influenced these dimensions as an accelerating factor. The social contract of informalization and de-mobilization came under pressure as foreign policy issues prove to mobilize popular protest. In addition, islamization of public discourses and policies is strengthened in the light of perceived "clashes of cultures".

The reasons for the ongoing crisis of legitimacy are manifold (Harders 2003): First, the economic crisis after the oil boom of the 1970s severely restricted the regimes' access to rents. Even though there are huge differences between the oil-rich states and the labor-rich states in the regional economy, the allocation systems of the rentier and semi-rentier states came under pressure. The states could no longer fulfill their part of social contracts which generated legitimacy through redistribution in exchange for political acquiesce. Second, efforts leading to partial economic liberalization as a product of the economic crisis of the 1980s led to the emergence of new local and national economic actors. These actors competed for access to resources and clientelistic networks. So far, more often than not, they have been co-opted into the ruling political elite. Thus, the expected effects of economic liberalization in terms of the formation of new political elites have been neutralized. The only exception in the region in this respect is Turkey (Pawelka 2002). Third, along with the "third wave of democratization" in the 1990s, a growing civil society began to question the legitimacy of regimes (AHDR 2002, 2005). Fourth, the success and the spread of radical Islamist movements put under severe pressure the legitimacy of ruling regimes (Roy 2002).

The reaction of Arab regimes to these threats consisted of five strategies: limited liberalization, co-optation, repression, informalization and islamization (Harders 2002). The socio-economic and political crisis led to cautious political openings in countries like Algeria, Egypt, Morocco and Jordan in the 1980s and 1990s in order to co-opt new actors and interests. Simultaneously, bloody repression of Islamist movements occurred in Algeria (1992-1996), Syria (1988), and Egypt (since 1990). Major changes in leadership in Jordan, Syria, Bahrain and Morocco during the late 1990s did not lead to substantial political *liberalization* (Harders 2003, 2005, Kienle 2003, AHDR 2005, Anderson 2006). The political structures in the region—referred to in AHDR as "black holes"—reveal a lack of rule of law, lack of

political freedoms, lack of government accountability, lack of protection of religious and ethnic minorities as well as a lack of civil participation (AHDR 2005: 15,126). Human rights organizations criticize the constant use of martial laws, insufficient control of power, insufficient autonomy of the judiciary, widespread use of torture and other human rights violations (AI 2001; Freedom House 2005).

After September 11, 2001 the Arab regimes came under increasing external and internal pressure for substantial domestic reform. The “war on terror” accelerates and intensifies those older debates which link foreign policy issues with regime transformation. These demands either take the form of “hard” threats of sanctions and violence within the framework of the so-called “war on terror”. Alternatively, they come as “soft” approaches within the framework of the Euro-Mediterranean Partnership or the 2004 “Broader Middle East Initiative” of the G8. In addition, in most Arab countries Islamist forces oppose the ruling regimes in spite of strong repression. On the other hand, secular reformers like the team of the AHDR plead for an “Arab Renaissance Movement”. The *kifaya* movement in Egypt is one of the latest examples of civil society involvement: Their activities led in 2005 to the first presidential elections being held under the prerequisite of at least nominal competition following a modification of the constitution. Yet, the capability and willingness of Arab regimes to bring about reforms are perceived with skepticism among my respondents:

This again is the vicious circle of the Arab World; we don't have reform because we don't have reformers; those in government who have the power to decide have no interest in reform. They are not interested in committing suicide, in other words.

Thus, external pressure is welcomed by some and sharply rejected by others as this Jordanian interview partner explains:

And therefore the reactions vary so far of those who say we can not just listen to things coming from the outside, we should just ignore it, which is more or less the Syrian position. The Jordanian position says we have to come up with a home grown process where we define the priorities, where we say the resolution of the Arab–Israeli conflict should be included. But it has to be a serious effort otherwise we will face something that is imposed from the outside.

Within my sample, those parts of the ruling elites open to reform insist on homegrown processes because it is the only way to regain domestic political space. In contrast, human rights activists and parts of the opposition are deeply pessimistic about the willingness of the Arab regimes to engage in reform. Still, even given the differences in elite perceptions and the varying degrees of political openness in different countries, the AHDR comes to a rather pessimistic conclusion:

For the most part these reforms have been embryonic and fragmentary. ... Some measures may have been merely cosmetic and superficial with the effect of delaying the advent of meaningful in-depth reform. (AHDR 2005, 43)

I have analyzed the intricate *informalization* strategies of the regional regimes drawing on the Egyptian example in more detail elsewhere (Harders 2002). The creeping abandonment of broad welfare policies, which escalated with structural adjustment

in the 1990s, affected poor and vulnerable groups. Whereas the old Nasserist social contract promised welfare in exchange for political loyalty, contemporary state–society relations are structured by a kind of new “informal social contract”. This contract offers access to informal flows of resources based on clientelistic relationships (Harders 2003). The preference for the informal is an effect of a state that cannot cater to the needs of its people, and that at the same time deprives them of institutionalized channels to express their views and needs (Singerman 1995; Bayat 1997). The informal social contract might make up for the lack of development and political reform, but the de-mobilizing dimension of informalization is built on a fragile consensus. This became clear when thousands of people took to the streets in Morocco, Egypt, Algeria, Tunisia, Libya, Bahrain, Yemen, Jordan, and Lebanon in order to demonstrate against the Iraq War. These protests were often coupled with anti-regime slogans. Thus, the war on terror triggered public mobilization and politicized the Arab public much to the dislike of the authoritarian rulers.

According to an al-Ahram opinion poll in September 2002, 52 per cent of the respondents believed that the US had deserved the attacks, yet expressed deep sympathy with the victims. 68 per cent of the respondents regarded the “war on terror” as a “means to strengthen the US global hegemony.” 93 per cent of the respondents, like the majority of the European public, believed that the “war on terror” would trigger more chaos and violence. 63 per cent criticized the stance of the Arab governments towards the US foreign policy, and they pleaded for a stronger opposition against it (*al-Ahram Weekly* 2002). This critical attitude was strongly reinforced as a result of the US-led war against Iraq and the subsequent occupation of the country in 2003. The regional support for US policies reached a historical all-time low: it fell considerably in Morocco from 39 per cent to 9 per cent and in Jordan from 34 per cent to 10 per cent. Egypt was an exception with a constant 12 per cent support for US policies (Kirchner 2003:10). According to a Jordanian poll in five Arab states, Arab citizens do not fundamentally disagree with “Western” values, but with Western foreign policy interventions in the region:

Disapproval of western foreign policy, most particularly as embodied by US policies in the Middle East, is at the heart of the fundamental disagreement between the West and the Arab World (Center for Strategic Studies 2005, 7).

In another study, 90 per cent of the Egyptian respondents, 52 per cent of the Lebanese, 65 per cent of the Moroccans and 58 per cent of the Jordanians polled think that the American position in regard to the Arab–Israeli conflict is of major importance for their own attitudes towards the US (Zogby International 2004). Arab regimes attempted to deal with growing public criticism rhetorically, but their actual foreign policy strategies may add to the ongoing erosion of legitimacy due to the widening gap between pan-Arab rhetoric and action.

Securing regime stability through *islamization* of public discourse and policies is an important strategy, too. Regimes tend to co-opt the religious discourses that the Islamist movements established successfully as a framework for powerful opposition and protest. Culture and identity politics, for example in Egypt, entail far-reaching concessions concerning religious censorship of literature, arts and science. Changes

in gender relations constitute a hotly contested field between Islamists and regimes as the implementation of family law reforms, reform of nationality laws, measures for increased female labor market participation, or better political representation of women are controversial (AHDR 2005).

Islamization as a strategy of securing regime stability gained considerable dynamism after September 11, 2001. In response to what was perceived as unfair and inappropriate external intervention of the West, regional identity debates re-emerged, and they were fed by the diverse ideologies between Arab Nationalism and Jihadism in the region (Flores 2003, Krämer 1999, Hinnebusch 2005). References to either secular pan-Arab identity or to the religious *umma* are intensively used as a legitimizing framework for regimes and their most fervent opposition alike. Foreign policy issues are especially prone to such a framing. By emphasizing values like solidarity, Arab unity, mutual help and assistance, regimes hope to produce a kind of “immaterial output-legitimacy” as these values are widely shared by the public. These identity discourses produce important political and social cohesion at times of ever-decreasing rents and increasing external pressures. References to imagined common cultural and religious ground is particularly relevant when the Arab public feels militarily, economically, culturally and politically threatened by “the West”.

Thus, Islamists may be able to present themselves as a viable and more credible alternative to the current regimes. September 11, 2001 triggered a foreign policy crisis which strengthens the Islamist opposition on the level of discourses and legitimacy. They might in turn profit from external liberalization pressure leading to free(r) elections. Within my sample, this triggers two debates: First, there is controversy about the degree of moderation of the “moderate” Islamists, and second, respondents disagree about political integration versus exclusion of the strongest opposition movement in the Arab World. Party politicians, for example in Morocco and Jordan, advocate the parliamentary integration of Islamist forces as a way to contain the more radical movements. Islamist parties themselves adopt a view well exemplified by the words of this Moroccan Islamist:

The basic message is the eradication of extremism and all radical attitudes within Islamic circles. I think it is necessary to acknowledge the importance of moderate Islamist movements in general. It serves the interests of Islamist-oriented Parties to fight for human rights, legitimacy and stability, in order to make a contribution to the national security and elimination of terrorism.

But the degree of reliability of democratic beliefs of Islamist parties is a matter of great controversy, as this Moroccan human rights activist argues:

Finally, there is a problem: if we want the society to evolve towards modernity, democracy, human rights and equality, then we should not base our analysis on a return to religion. Islamic parties cannot imagine social development without considering a return to Islam. They plead for a closed Islamic society with the *sharia* as the only valid law. We defend the right to freedom of expression for all. Yet, the Islamists do not have the right to impose their beliefs on others. We know of many instances in which the Islamists intimidated people.

Particularly the representatives of women's rights organizations vehemently criticized co-operation with Islamist forces. Their experience shows that the degree of freedom and realization of women's rights within a particular group is a reliable indicator to gauge the commitment to human rights of Islamist groups, for example when it comes to the enforcement of dress codes. As a result of the islamization of politics and public space concomitant with the social, political and economic crisis of Arab societies, secular and moderate forces are in the defensive. They fail to respond to the intellectual challenge of Islamism, as many scientists and NGO activists argue. The secular opposition finds itself aligned with the regimes that present themselves as the most effective guardians against anti-liberal Islamist forces.

At the same time, many respondents agree that there is no alternative to the inclusion of moderate forces because Islamists enjoy legitimacy and a huge potential for mobilization in the entire Arab region. Those who support democracy in the region must accept the results of democratic elections even if Islamist forces are the major winners. As this Lebanese journalist argues:

So I don't have any problem with Islamists being elected to power. Islamists by themselves are not a problem. Dictatorship is a problem whoever does it whether it is secular or religious people. Presidents for life are always a problem. If there is a gradual process and people are really allowed to express themselves, other choices except Islamists will emerge.

Still, the more than disputed democratic values of the most likely winners of an open democratic process constitute a major problem in the region.

In conclusion, on the domestic level the events following September 11, 2001 accelerated older trends and left the paradigm of regime stability untouched. But the regimes' capability of generating legitimacy came under pressure because of two phenomena: renewed Arab-Muslim identity discourses in the light of heavy military foreign intervention, and growing public criticism of the Arab regimes' positions towards these policies. This in turn widened the foreign-policy gap between regime rhetoric, actual politics and popular policy expectations.

The Regional Level – Towards a New Regional Order

The analysis of the regional level focuses on three major subdimensions: 1) regional political cooperation in formal institutions, 2) regional conflicts, and 3) regional economic cooperation. The institutional and the conflict-dimensions will be treated in more detail here as they are of specific importance to the prospects of regional cooperation.⁶ September 11, 2001 and its political aftermath have exerted an uneven impact on these three dimensions. The main result of the "war on terror" is the emergence of a new regional order, which is marked by escalating violence. Even though the states of the region were in the center of the violent processes of re-ordering, they could neither prevent nor shape them in substantial ways.

Regional economic interdependencies are constituted through the unequal distribution of men-power and natural resources within the region. The poorer yet highly populated

6 For the economic dimension see Zorob and Hofmann in this volume.

Arab states gained access to oil wealth through labor migration and Arab aid. Economic integration is generally weak, as Arab trade often focuses more on the USA and Europe than on the regional markets. The Mediterranean Countries' trade dependency on the EU ranges from nearly 80 per cent of all trade (Tunisia) to solely 3.7 per cent (Jordan). But the Mediterranean countries only count for less than one per cent of the total imports and exports of the EU (Schumacher 2005). Intra-regional imports accounted for only 4.5 per cent of the total imports of the countries in 2003 (Zorob 2005:503).

Several territorial *conflicts* in the region such as the West-Sahara-Conflict, the intra-state conflicts in Sudan and the border-conflicts in the Gulf have not been influenced by the consequences of September 11, 2001. Others like the Arab–Israeli conflict and the regional hegemonic conflicts have undergone far-reaching changes. The “war on terror” and most notably the war against Iraq, and the ongoing presence of foreign troops triggered the escalation of violence and the destabilization of the country. This in turn led to a re-emergence of Iran as a regional power and of Shiite and Kurdish forces in the region (Nonnemann 2005), which then had a deep impact on the rivalries over regional hegemony (Perthes 2004b). Syria, Iraq, Saudi Arabia and Egypt have to reposition themselves due to the external intervention, which shapes the new regional order. Iraq is no longer an independent regional actor. Syria meanwhile—as a so called “rogue state”—has come under strong American and European pressure and is confronted with sanctions. This and the public protests in Lebanon led to the withdrawal of Syrian troops from Lebanon in spring 2005 after the UN Security Council resolution 1559. The UN-investigations about Syrian involvement in the murder of Rafik Hariri and the Lebanon war of 2006 put further domestic and external pressure on the regime of Bashar al-Assad. Saudi Arabia, the traditional ally of the US in the region, is seen by the neo-conservatives as a part of the problem and not as a part of the solution. Thus, Saudi-American relations were damaged and weakened in the direct aftermath of September 11, 2001. Still, in the wake of the Palestinian crisis and the rising American–Iranian tensions in 2006 and 2007, the Saudi government came up with some successful initiatives, thus again laying claim to a hegemonic position. Egypt has not opposed the new regional order, and will attempt to maintain its strategic relevance as a partner of and not as an opponent of the USA and its allies.

Whereas the regional hegemonic conflict system seems to be re-balanced in favor of Saudi-Arabia, the Arab–Israeli conflict underwent severe escalations. Changes in the Arab–Israeli conflict after 2001 show how long-term developments and short-term events are deeply intertwined. The end of the cold war enabled the beginning of a peace process between Israel, the Palestinians and the Arab neighbor states. This fragile process was shaken by many drawbacks after first talks in 1991, and came to a complete halt after the start of the “Al-Aqsa-Intifada” in 2000. After 2001, Israel succeeded in framing the conflict with militant Palestinian organizations like *Hamas* and *Hezbollah* in the broader context of the global anti-terror campaign, thus securing American and European support for its policies in the occupied territories (Perthes 2004b). This pattern intensified throughout the war against Lebanon in the summer of 2006, which was directed against *Hezbollah* on the one hand, and against its Iranian and Syrian support structures on the other. This resulted in a further internationalization of the conflict, the deployment of more foreign troops in the region and an extremely tense and violent situation in Gaza and the West Bank (Asseburg 2006). Most of the

interview partners assume that this conflict reflects on many aspects of domestic and regional policies, as notes this Jordanian Women's Rights Activist:

Two things should go parallel: the peaceful settlement of the Palestinian problem keeping the human rights and the rights of the people of Palestine leading to a Palestinian state. This is the most essential thing before "imposing" democracy and reform. Democracy and general freedoms are what the Arab World is fighting for, struggling for, looking for. It is their dream, the dream of all Arabs, even mine. There should be democracy, there should be fair elections, there should be freedoms This is the dream of Arabs. But Arabs are aware that we won't reach this without solving the basic thing which is the Palestinian problem.

Still, some respondents question the connection between domestic reforms and conflict settlement, as can be gathered from this Jordanian position:

But to say that we cannot start until we solve it is ridiculous because it is just postponing the issue and ignoring reality. I cannot accept this conflict as a reason for not giving women their rights. I cannot justify the lack of good governance and the lack of rule of law through the Arab-Israeli-Conflict. There is no reason. At the same time we shouldn't think that the continuation of the conflict is not going to have an effect. It will have a huge effect.

The re-ordering of the conflict dimension has asserted the weakness of regional organizations, especially of the League of Arab States (LAS). The events following September 11, 2001 amount to the deepest crisis since the 1990 Iraqi invasion of Kuwait. As an alliance of states, the Arab League is founded on the national sovereignty of its members and mutual non-interference. Although the Charter advocates peaceful conflict management between members, it has mostly proved inefficient in the field of conflict resolution. Its history has been marked by deep internal rifts, for example over the Egyptian peace with Israel, the Iraqi invasion of Kuwait, and more recently over the effects of the Iraq war.⁷ A Syrian politician stresses the lack of a constructive culture of conflict settlement and trust within the League as one important reason for its weakness:

I was comparing between the Arab Summit 2004 that was postponed, and the Europeans'. I said that the Europeans would sit, talk, differ, and talk until they solve the differences, or they'd agree on one point and then they'd agree on the agenda for the next meeting. While we as Arabs postpone the meetings instead of talking to each other. That is the difference in mechanism.

There is a huge gap between the asserted cultural, linguistic and political unity (at least of the Arab majority) and the political and economic disparities between conservative monarchies like Morocco, Jordan or Saudi Arabia, and the formerly revolutionary regimes like Egypt, Syria, Iraq or Libya. Under these circumstances intensified subregional cooperation seems to be a more feasible answer to the problem of Arab integration as this Jordanian politician suggests:

⁷ For more details about the role of the LAS as conflict mediator see al-Marashi and Brown/Romano in this volume.

The populous countries are poor countries: So if you open the market for Arab labor, the Egyptians will be the majority in all of our countries, so this is not feasible now. We have to divide the Arab World into regions: the Maghreb region, the Mashreq, the Gulf and the Nile Valley Region and then let those countries in each region work together. They can go faster in unifying their rules, their policies and so on. They still should be under the umbrella of the Arab League.

The latest economic cooperation initiative, the Agadir Agreement, is an example of renewed interest in inter-Arab economic integration. It was signed in February 2004 between Morocco, Tunisia, Egypt and Jordan, and establishes the Mediterranean Free Trade Area (MAFTA) with strong European support. Still, the complicated negotiations reveal competing interests among the member states as MAFTA only went into force in March 2007. Apart from MAFTA the increasing number of bilateral agreements over the past years among the Arab state—as well as the GAFTA which emerged in 1997—might contribute to the consolidation of the economic South–South–integration (Zorob 2005).⁸ Thus, regional economic cooperation might intensify between those states that push economic adjustment and liberalization. This might have long-term spill-over effects for weakened regional institutions. Some assumed that the pragmatic farewell to pan-Arab visions is a pre-requisite of intensified regional cooperation as this Syrian researcher argues:

As an Arab nationalist, I would be happier about seeing a highway connecting Damascus to Riyadh and connecting Cairo to Morocco instead of having a League that flies one flag and plays one national anthem and underneath there are still the disintegrated Arab nations.

The war against Lebanon 2006 showed the deep disagreement over positions in the peace process but also regarding a movement like *Hezbollah* (El-Anani 2006, Bank and Valbjorn 2007). Egypt, Saudi Arabia, Jordan and Morocco articulated surprisingly open criticism of *Hezbollah* strategies in Lebanon not least because of shared concern about the growing popularity of the movement (Abdel-Fattah 2006). These splits leave space for diplomatic efforts of single states. Especially Saudi-Arabia made constant efforts to re-position itself as an important regional actor e.g. though launching an initiative to reconcile the Palestinian leadership in February 2007. Saudi-Arabia also made efficient use of the Arab League summit of 2007 pressing for the relaunch of the 2002 Beirut declaration on the Arab–Israeli conflict (BBC 2007). Thus “securitization” and militarization of regional politics deepen internal rifts and weaken the League as a collective actor. Instead, it is used as an instrument and an arena by the former regional hegemonic powers that try to re-define their position in the new regional order.

Conclusion: Towards a New Regional Order

I suggested a multi-level approach as the most useful in order to analyze the impact of September 11, 2001 on the Arab region. I argued that the main effect of these attacks is the “war on terror” and the militarization and securitization of politics

8 For a critical assessment of both initiatives see Zorob in this volume.

in the region but also in the US and Europe. Thus, on the international level, 9/11 triggered important changes as efforts to force regime change through military intervention have not occurred since the independence of most Arab states. This has led to important changes on the level of perceptions for example concerning a different and renewed role of the EU in the region. Still, the USA remain the most important external political, economic and military force in the Middle East, thus constraining the foreign and domestic policy options of Arab regimes.

As for the three crosscutting phenomena discussed above, no massive changes have occurred on the economic level. The existing rentier economies prevail within a system of weak economic and political Arab integration. So far, high oil prices generate dearly needed state income. These mechanisms will only be severely challenged once the natural resources and more importantly, the financial revenues stemming from investments abroad come to an end, which is not going to happen in the near future. September 11, 2001 has strengthened the perception that regional politics are deeply ingrained with questions of identity. Those forces in the West and in the region who frame the current conflicts as deep cultural-religious confrontations have gained strength. This discourse has provided transnational Islamist movements with renewed public recognition and support because they have succeeded in presenting themselves as defenders of Arab-Muslim identity and pride. This in turn weakens the secular reform-oriented forces since concepts of reform and human rights are increasingly framed as “Western.”

On the domestic level regime stability constitutes a stable focus of governmental action in the face of foreign policy challenges before and after September 11, 2001. So far, the authoritarian and semi-authoritarian regimes have been able to successfully rely on their well-established means of meeting crises of legitimacy and public criticism through partial liberalization, co-optation, repression, informalization and islamization. Yet, the ongoing social, economic and political crisis leads to deep social transformations, which are so far not yet met with political transitions, thus contributing to a generally tense domestic situation in the region. Under these circumstances, renewed regional (Arab) identity discourses in the light of foreign intervention and public criticism of the Arab regimes’ positions towards the intervention in Iraq and the “war on terror” are of special importance. The wide gap between actual foreign policies and the expectations of the majorities of the populations display a potential for political mobilization and opposition that has been shown in the demonstrations against the Iraq war. This growing foreign-policy gap may lead to a further erosion of regime legitimacy, thereby narrowing down the space for intensified regional cooperation, which might entail political or economic costs.

September 11, 2001 has influenced the regional system considerably but unevenly. On the level of conflict structure, the military intervention in Iraq initially attenuated the hegemonic conflict and strengthened Israel in the territorial conflicts with its Arab neighbors. The new regional order is marked by growing intra-state and inter-state violence especially in Iraq, Lebanon, Israel, and the occupied territories. Iran is re-emerging as a non-Arab hegemonic power in the region asserting its role through intensified diplomatic efforts towards its Arab neighbors on the one hand and hostile discourses towards the US and Israel. Concomitantly, on the institutional level the “securitization” and militarization of both regional and international politics has

weakened regional institutions such as the League of Arab States. Former hegemonic powers compete for a readjustment of their roles. So far, especially Saudi Arabia seems to have been successful in bilateral politics and diplomacy, thereby using the Arab League as an instrument for hegemonic ambitions.

Thus, the attacks on New York and Washington triggered new regional dynamics and accelerated older trends and processes such as intensified and violent identity politics between Arab and Kurdish but also between Sunni and Shia groups. Large-scale political and economic cooperation in the Arab World has become even more difficult after September 11, 2001, whereas subregionalism and bilateralism are the main ingredients of the emerging regional order.

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Chapter 3

Regional Ambition, Institutions, Social Capital—Regional Cooperation and External Actors

Simone Ruiz and Valentin Zahrnt

Although projects of Arab economic integration started over fifty years ago, regional cooperation in the Middle East and North Africa is weak, as economic groupings such as the Arabic Common Market never took off. An interesting property of regional cooperation among Arab Mediterranean Countries (AMC) is the strong involvement of the EU as an external actor. The 1995 signature of the Barcelona Declaration by the European Union (EU) and 12 Mediterranean partner countries¹ aimed at transforming the Mediterranean region into “an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity.” Yet, in eleven years, the Euro-Mediterranean Partnership (EMP) has achieved little progress on the Barcelona objectives. The welfare gap across the Mediterranean is widening, and authoritarian structures have proven to be particularly resistant to external and internal pressures for reforms.

This contrasts strongly not only with the European experience of regional integration but also with the positive developments in Latin America and Asia where regional agreements have contributed to the pace of economic development and political reforms. These heterogeneous developments cannot be satisfactorily explained by selective theories and narrow models. Neither realism, nor rational-choice institutionalism, nor liberalism, nor social constructivism—as leading strands of International Relations Theory—provide sufficient answers in themselves. The same limitation applies to functionalist, intergovernmentalist, and deliberative theories of regional cooperation. What is needed—if predictive power or political recommendation is the objective rather than a horse race between competing theories—is a model that combines insights from all these approaches.

This chapter develops a model of regionalization and regional cooperation with four characteristics. First, it combines rational choice and social constructivist theories. Second, it connects the domestic with the regional level, looking at societal groups, national governments, and regional institutions as actors. Third, it builds on European Integration/European Union Studies as well as on the growing body of literature that takes regionalism as a global phenomenon, including works from

¹ Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Tunisia, Turkey, Syria. Malta and Cyprus are now members of the EU.

comparative regionalism (Choi and Caporaso 2002; Laursen 2003; Mattli 1999), the new regionalism approach (Söderbaum 2004), security communities (Deutsch 1957), interregionalism (Aggarwal and Fogarty 2004; Hänggi Roloff and Rüländ 2006), and several large scale studies by international organizations (OECD 2003; World Bank 2005a; the United Nations University/World Institute for Development Economics Research project on the New Regionalism in the late 1990s). Fourth, it considers endogenous dynamics as well as the impact of external actors. Subsequently, some variables of this model are applied to the specific context of the AMC with the aim of illustrating a possible application. This indicates that a thorough empirical analysis on the basis of the proposed model could further contribute to our understanding of the conditions and prospects for AMC regional cooperation.

A Model of Regionalization and Regional Cooperation

Regionalization means the concentration of activity at a regional level beyond the nation state, in analogy to globalization. Regionalization thus increases with greater interdependence and interaction regarding ideas and communication, natural persons and capital, goods and services, the environment and violence, among others. Regional cooperation (or regionalism), by contrast, refers to a comprehensive effort at cooperation by states within a region (Fawcett 2004). It can be conceived rather narrowly considering only formal regional institutions and regulations, or more broadly, implying also ambitions and social capital shared at the regional level.²

The present model does not attempt to define dependent and independent variables, for example by focusing on the question of how regional institutions promote compliance with regional regulation. Instead, it attempts to synthesize the sum of the relevant variables and their causal relationships into a dynamic system. The key variables of the model are

- The ambition of the regional member states to deepen their cooperation.
- Social capital in terms of a collective identity and a deliberative culture.
- Regional institutions.
- The scope and depth of regional regulation.
- Member states' compliance with regional regulation.
- The responsiveness of the regional economies and societies to integration.
- Regionalization.

In the following, these variables are briefly defined and their dependence and/or their influence on other variables are clarified. Subsequently, the effects external actors

² The famous definition offered by Haas (1961, 366) takes such a broad stance, submitting that, "political community exists when there is likelihood of peaceful change in a setting of contending groups with mutually antagonistic claims. The process of attaining this condition among nation-states we call integration, the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities toward a new and larger center, whose institutions possess or demand jurisdiction over the pre-existing national states."

can have on these variables, and thus on the process of regionalization and regional cooperation, are discussed.

Regional Ambition

Regional ambition determines how deeply the member states of a region intend to integrate and, subsequently, what substantive regional regulation and which regional institutions they wish to establish. The commitment to the regional project also influences the compliance with regional regulation that imposes costs.

The degree of regional ambition depends, first, on the benefits and costs which regional cooperation creates for its member states. These benefits and costs can occur in diverse fields, for example affecting the security, economic wealth, and democratic legitimacy of governance in the member states. Furthermore, they can either accrue when tackling problems within the region or when dealing with extra-regional actors. Regional ambition hinges, secondly, on the domestic distribution of these benefits and on the power of different domestic groups to influence regional cooperation. This aspect must not be neglected as additional steps towards deeper regional cooperation that promise a net welfare gain for the country will not be undertaken if those who are in political control would lose. Third, foreign policy interests are not “objectively” determined but socially constructed (Goldstein and Keohane 1993; Wendt 1999). This general notion also holds true for regional cooperation (Hemmer and Katzenstein 2002; Parsons 2002). Accordingly, regional ambition is transformed through the internal processes of regional cooperation as well as through their joint representation towards the outside.

Regional Social Capital

For the purpose of this article, social capital shall refer to a collective identity at the regional level and to a deliberative mode of communication in regional negotiations. Both these concepts constitute ideal types opposed to a self-interested relative gains perspective on the gains from cooperation and the corresponding tough distributional bargaining strategies employed by member states. Actual integrated regions are situated somewhere within these continua.

Actors led by a sense of diffuse reciprocity do not expect equal rewards at every bargain and do not renege at every possibility. Instead, they are convinced that the long-term benefits of generous and frank cooperative behavior outweigh the short-term gains from bickering, deceiving, and cheating (Ruggie 1992). The sense of diffuse reciprocity is stimulated if collective results can only be attained when the interests of the others are heeded as if they were part of one’s own interests. In such cases, diffuse reciprocity leads to more beneficial cooperation and therefore makes sense in the long run. If this process of interest diffusion proceeds, that is if an actor identifies itself with another actor so that the distinction between Self and Other blurs, a collective identity arises (Wendt 1999, Ch. 5). Therefore, governments try harder to find mutually acceptable positions and are more willing to make sacrifices instead of attempting to pursue their individualistic national interests (Egeberg 1999; Checkel 2003; Lewis 1998). Also, they are more prepared to bear the costs

of implementing regional regulation. These effects are intensified as the category of actors who share the regional collective identity expands—from those bureaucrats directly involved in the regional project, to the entire government, to the elites, and finally to the population.

In deliberations, actors collectively search for the best solution to a problem, led by the most persuasive argument, which takes precedence over established authorities (Habermas 1998; Risse 2000; Verweij and Josling 2003). Whereas distributive bargaining simply aims at finding a mutually acceptable deal, deliberation is more demanding in its process and its objectives, implying the construction of shared factual and normative beliefs. Deliberation extends several advantages to regional cooperation:

Efficiency Though deliberation is a time-consuming process, it can be more efficient than bargaining if certain conditions (for example high complexity of negotiating issues) apply. The advantage of deliberation is that it works as a filtering device. Only those policy proposals that can be justified on normative grounds can pass the test. In particular, arguments must not entirely coincide with individual interests; they must be consistently endorsed regardless of changing individual interests, and their content must be plausible (Elster 1998). Furthermore, deliberation fosters benign perspectives on the gains from regional cooperation in the long run (Wendt 1999).³

Quality In deliberative negotiations, no solutions are excluded from the outset. The quality of policy proposals is at the center of a debate where arguments are judged according to their merits, and creative balancing mechanisms can be sought that least impair policy efficiency if the distributional implications of the most efficient solution are not tolerable. This is superior to a bargaining process where the respective power of member states determines the weight of their policy proposals, where many possible policies are excluded from the outset, and where distributional calculations and coalition building direct negotiations from early stages onwards.

Legitimacy and compliance States that have actively participated in forming a consensus through a deliberative process tend to perceive the resulting agreement as legitimate (Börzel and Risse 2002; Chayes and Chayes 1995). By endowing agreements with legitimacy, deliberation creates a “compliance pull” among governments, based on the logic of appropriateness (as opposed to self-interested, consequentialist thinking). It further facilitates compliance as it nests specific rules within broader norms which governments do not want to damage by violating the specific rule. Moreover, it generates reasoned justifications of regional regulation that is supportive in the domestic implementation phase (Franck 1990; Neyer 2003).

3 As Ruggie (1992) notes, discourse aimed at fairness based on generalized principles promotes diffuse reciprocity. Druckman (2001, 283) also considers deliberation to induce collective identity formation: “Intense problem-solving activities may lead to a sharing of identities as the parties progress through stages of awareness; acceptance; identification of similarities (and differences); and shared identity.”

Regional Institutions

The status of regional institutions can be measured in terms of their competences and of their independence (Abbott et al. 2000; Smith 2000). Legislative, executive, and judicative institutions on the regional level stimulate regional cooperation in manifold ways (Alter 2000; Burley and Mattli 1993; Corbett, Jacobs, and Shackleton 2003; Stone Sweet and Brunell 1998; Talberg 2003). First, they strengthen regional ambition. They create constituencies whose interests are aligned with the regional cooperation project. These can be the employees of regional committees, the members of a regional parliament, or judges within the national judiciaries who see their position towards the national executive and legislative branch solidified through the regional judicial system. In addition, regional institutions are granted a degree of independence needed to fulfill their mandate. Subsequently, they tend to strive to expand this independence and to employ it in favor of additional integration.

Second, they create social capital (Hooghe and Marks 2001). They socialize those involved in regional institutions to adopt regional mental frames and a regional collective identity. In addition, they foster deliberation as negotiating style. One function of institutions in this regard is that they provide spaces for deliberation. The European Parliament conceives itself as the central forum for European debate. The European Commission and many committees reporting to the European Council emphasize expertise and rationality in their self-understanding. This technocratic character disposes them towards deliberation (Checkel 2003; Haas 1992; Pollack 2003). The legal discourse taking place at the European Court of Justice shows strong similarities with deliberative communication (Abbott et al. 2000; Habermas 1998, Ch. 5; Neyer 2002; Risse 2000). Legal discourse stimulates rhetorical competition, as parties to the dispute strive to convince the judges, while obeying the specific ground rules of legal discourse.⁴ Furthermore, regional institutions foster deliberation between governments because they are often more open to persuasion than governments that have their minds set on winning in a tough bargaining game. The European Commission is one such player with discretion that entices governments to argue their case in order to receive backing by the Commission. Finally, European integration has produced a set of shared and often legally solidified values and norms to which negotiators can refer regardless of the concrete policy issue. These include democracy, transparency, subsidiarity, respect for human rights and fundamental freedoms, the rule of law, and a competitive free market economy (Manners 2002). Such a “normative hierarchy” is conducive to deliberation because it offers agreed and stable criteria for judging specific arguments (Neyer 2002).

Third, they directly facilitate the negotiation of regional regulation. They can, on the one hand, exert pressure on member states to reach consensus. On the other hand, they can provide incentives for states that are reluctant to accept a common decision

4 Abbott and Snidal (2000, 429) elaborate the specificities of legal discourse: “Legalization entails a specific form of discourse, requiring justification and persuasion in terms of applicable rules and pertinent facts, and emphasizing factors such as text, precedents, analogies, and practice. Legal discourse largely disqualifies arguments based solely on interests and preferences.”

by promising compensation in other policy issues or in the future. Furthermore, they generate information, ranging from factual expertise on the effects of competing policy proposals to promising negotiating strategies in the face of information asymmetries between member states (Tallberg 2004).

Fourth, they directly help solve conflicts and maintain compliance with regional law through diplomatic interest conciliation and legalized dispute settlement.

The Remaining Variables and their Relationship

The interaction of the key variables of regional cooperation and regionalization is depicted in Figure 3.1. All arrows signify re-enforcing relationships. Some variables are grouped together in one box for simpler representation. The model can be read in the following way:

- As argued above, regional ambition, regional institutions, and social capital are mutually supporting, and they contribute to the negotiation of and the compliance with regional regulation.
- The scope of regional regulation rises with the number of issues covered. The depth of regional regulation increases as rules become more demanding, more precise, and leave fewer exemptions.
- Compliance hinges on the enforcement of rules against opportunistic deviations, on the clarity of rules to avoid unintentional violations, and on member states' implementation capacity.
- The actual effects of regional regulation with which the member states comply depend on the responsiveness of member states' legal and political systems, their economies, and their societies.⁵ These conditions are not immutable but can be shaped by regional regulation, at least in the long run.
- The degree of regionalization depends thus on the scope and depth of regional regulation, member states' compliance, and the responsiveness of regional economies and societies.
- Regionalization is not only a product of the other variables but greater interdependence and interaction in turn promote regional ambition, regional institutions, social capital, as well as regional responsiveness.⁶

⁵ Consider, for instance, the quality of regional infrastructure, the capacity of the export-oriented sectors, and the availability of services that are necessary for expanding exports. It depends on factors like these to which extent regional regulation that stipulates a common market propels economic integration. Similarly, the ability to communicate in a shared language influences the impact of regional programs to intensify personal and cultural exchange.

⁶ For instance, the experience of regional interdependence and joint regional policy efforts is likely to enhance regional ambition. Similarly, greater regional economic integration will favor the delegation of additional competences to regional institutions. The subsequent growth of export industries in regionally traded goods and services will, furthermore, increase the effects of additional regional regulation that further lowers barriers to economic exchange.

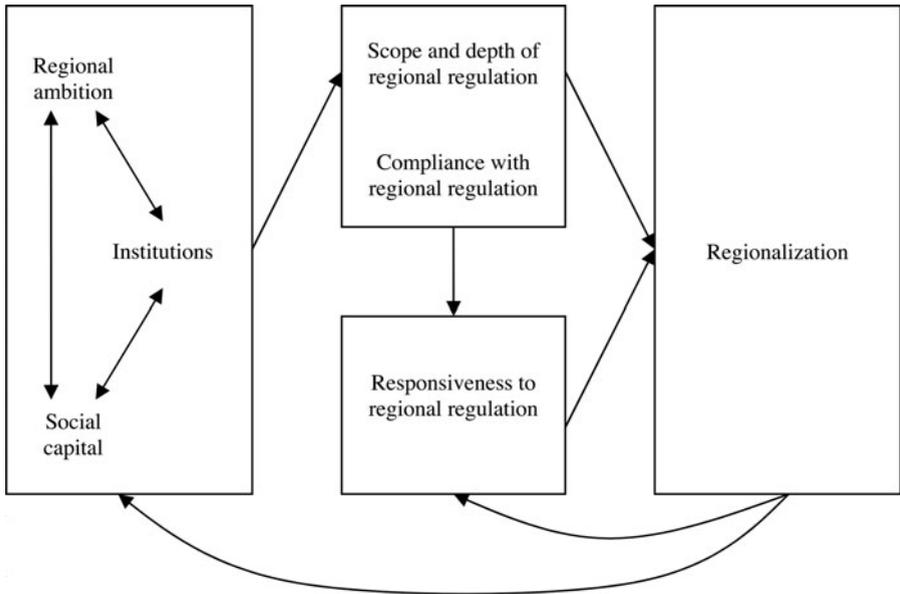


Figure 3.1 A model of regional integration and regionalization

Effects of External Actor Involvement

In principle, external actors can intentionally and unintentionally influence regional cooperation, and their influence can promote or hinder regional cooperation (Aggarwal and Fogarty 2004; Grugel 2004; Hänggi, Roloff, and Rüländ 2006; Szymanski and Smith 2005). All the key variables except regionalization are susceptible to external forces.

- External actors can foster regional ambition (as well as compliance with regional regulation) if they offer incentives, such as trade and cooperation agreements that are conditional on previous success of regional cooperation. They can also empower integration-friendly political forces within the region, for instance by providing them with money and political access. Yet, external actors can equally strive to involve themselves in regional cooperation endeavors in order to limit their ambition.⁷
- External actors can contribute to collective identity formation by consistently treating the integrated region as such, rather than through bilateral channels. This implies that external actors forgo the bargaining advantage they have when they play one member state off against another, as well as more far-reaching cooperation that would be possible with a sub-set of the integrated region's members. By contrast, external actors can also attempt to split the

⁷ US regional integration strategies in Latin America and Asia point in this direction.

integrated region's member states.⁸

- External actors can offer support for institution building. They can also strengthen regional institutions by cooperating directly with them—rather than stressing intergovernmental channels—and by expressing their concern when member states infringe upon the rights of these institutions.
- External actors can assist integrated regions with the elaboration of regional regulation. This enhances not only the quality of this regulation but is also likely to increase its depth and scope as the discussion moves to more sophisticated technical levels and as extra-regional templates shape final outcomes.
- External actors can enhance regional responsiveness especially by investing into infrastructure development.

Which combination of these measures is most promising for an external actor that wants to promote regional cooperation depends on the specific circumstances of the integrated region, the capacities of the external actor, as well as its relationship with the integrated region.

Regional Cooperation among AMC

The following analysis of three variables of the model in the AMC context—namely regional ambition, social capital, and regional institutions—shall demonstrate how the model can be applied.⁹

Regional Ambition

Regional ambition determines the scope and depth of regional regulation which the member states of a region intend to negotiate, their willingness to comply with regional regulation that imposes costs, and the degree of sovereignty they are prepared to delegate to regional institutions.

From a welfare perspective, regional cooperation among the AMC allows to enhance the (aggregated) benefits of trade integration with the EU—and other major world markets—via three channels: (1) the mitigation of short-term adjustment costs, (2) better market access due to enhanced competitiveness and strengthened bargaining power, (3) the containment of the risk of a hub-and-spokes effect.¹⁰

In addition, increasing non-economic interdependencies require regional cooperation. The spread of radicalized Islamism, transnational crime and bottlenecks in water and energy supply are only some of these border-crossing challenges.

⁸ See, for instance, Zorob's analysis of the divisive effect of the EU's rules of origin in the context of the Greater Arab Free Trade Area (GAFTA). Similarly, Schumacher (2005) concludes that the EMP does not enhance regional cooperation.

⁹ Israel and Turkey are not included because their economic and political systems are very different from those of the AMC, they are not part of any AMC regional agreement, and their relationship with the EU is much closer than for the rest of the AMC, in particular for Turkey, a candidate for EU membership.

¹⁰ See Zorob in this book.

Indeed, regional conferences on economic development, water management, and infrastructure—whether organized by international donors (for example World Bank, UNDP) or by smaller states, such as Jordan or Tunisia—have multiplied.

The effects in security terms are ambivalent. Driving forward regional cooperation and interdependence can, on the one hand, promote peaceful relations, as the Kantian liberal view would predict. Reduced decision-making autonomy and greater interdependence is, on the other hand, a liability as long as the tight security situation persists.

Looking at the domestic political level within the AMC member states, it is evident that regional ambition has traditionally been defined almost exclusively by the political elites. They can gain from regional cooperation in terms of enhanced internal and external political power. Internally, the idea of pan-Arab unity and solidarity has always enjoyed a high degree of legitimacy. The political elites make use of these ideals to justify their authoritarian rule. However, in the past, the relation between Arab identity and state sovereignty was often a conflictive one (Barnett 1995; Hinnebusch and Ehteshami 2002). Arab nationalism has been used as the vehicle of opposition, and thus also represents a threat to the governments in power. Externally, international recognition—which is partly tied to regional cooperation and on which international rents depend—is crucial for the economic survival of the political elite.¹¹ On the cost side, regional cooperation reduces the discretionary policy-making power of the political elites. Moreover, the regional ambition of the political elite is weakened by the great weight they attribute to (short-term) social problems—that is the risk that regional cooperation may contribute to popular discontent and unrest dangerous to the ruling elites—as opposed to (long-term) welfare gains. Hence, political leaders will support regional cooperation only as long as the internal and external legitimacy gains will more than outweigh the loss of policy discretion and the costs of potential social unrest.

The private sector does not play a pro-integrative role comparable to that in other regions. One reason for this is that the business elite and the political elite are strongly interdependent with entire business sectors in the hands of regime officials and business elites taking over former public monopolies from the state. Competition law is in-existent or not applied equitably. Instead of creating a competitive environment, privatization often takes place in a discretionary, non-transparent manner and is restricted to privileged groups (Schlumberger 2000). According to Dillman (2001, 2002), the “de-regulation” can be considered as a “re-regulation” in which governments determine precisely “who can most easily benefit from change and join distributional coalitions to tap profits in the market.” Liberalization can thus lead to a cementation of authoritarian patterns of clientelist regulation. Moreover, the numerous internationally uncompetitive sectors fear the erosion of protection provided by the state in the form of market-access barriers and subsidies.

11 Although it cannot be expected that oil and gas rents decrease if a country forsakes its international recognition (except for a general embargo as was the case in Iraq under Saddam), strategic rents, such as foreign aid or military and technological support can be reduced. In addition, average foreign aid to the region is exceptionally high, with USD 21 per capita in 2002 compared to USD 10 in Latin America, and increasingly so (see World Bank 2005b).

Most independent civil society organizations favor regional cooperation which they consider instrumental to their ends and beneficial to their own autonomy and influence. However, these civil society organizations are mostly in a weak position.¹² Syria, as one of the worst-case examples of civil society repression and civil society cooptation within the state system, explicitly prohibits the establishment of independent citizen organizations. Morocco, Lebanon and Palestine have allowed higher civil society activity without however refraining from government interference (Hawthorne 2004, 8). Furthermore, national fragmentation of civil society in the region is strong. Civil society groups are thus only a marginal force behind regional cooperation processes.

Regional Social Capital

Wendt (1999) suggests that collective identity formation depends on the degree of interdependence, common fate, homogeneity, and self-restraint among a group of states.

Interdependence The AMC are inherently interdependent given the proximity of their densely populated territories and the challenges they face. However, their economies continue to be largely independent from each other.

Common fate Traditionally, the common fate was to fight Israel. Since the conflict with Israel has become extremely costly for the countries concerned, there is a growing international pressure on AMC to contribute to the finding of a peaceful resolution. The invasion of Iraq by American troops in 2003 has increased the perception of external threat. The war had, furthermore, a divisive impact at the political level, with Syria being the most prominent opponent to any US-led military initiative in the region and Jordan, Egypt, and Morocco being close US allies. The conflict between Israel and Hezbollah, and the subsequent war in Lebanon in 2006, represents a further blow to regional cooperation. While the existence of common internal (Israel) or external (US) enemies can not serve as a foundation for a collective identity, the region is under pressure to adapt to “modern economic ideologies” as specified by the Agadir Declaration, which establishes a Mediterranean Arab Free Trade Area (MAFTA 2001, 1).¹³ The economic consensus of market liberalization and integration into the global economy might become a “common fate”, once the security situation improves.

Homogeneity Transnational sub-state identities, such as the Kurdish or the Palestinian, and supra-state identities, such as pan-Arabism or political Islam, represent important currents in the Middle Eastern state system and “constrain purely

¹² According to the Euro-Med Non-Governmental Platform (2005, 3), “human rights violations are multiplying and hindrances to freedom of expression, association or circulation tend to become the rule.”

¹³ Yet, Zorob (2005) concludes that the Agadir Agreement “does not come up with major improvements designed to accelerate; deepen and/or widen the process of South-South integration initiated by GAFTA and bilateral free trade agreements” between the AMC.

state-centric behavior” (Hinnebusch and Ehteshami 2002, 1). Indeed, the “Arab Nation” is often mentioned in trade agreements to stress the cultural homogeneity of the region in terms of language and religion and the popular support for Arab integration projects. In its original meaning, Arab nationalism or pan-Arabism demands political unification among Arab states and resulted in a competition for regional leadership among Arab states in the 1950s and 1960s. According to Barnett (1995, 504), “Arab nationalism ... still provides a powerful pull on Arab states and provides symbolic incentive for cooperation.” The emergence of a more pragmatic version of Arab nationalism, which honors the principle of noninterference, enabled Arab states to develop relatively stable expectations and shared norms to govern inter-Arab relations (Barnett 1995, 481). However, the region lacks institutional homogeneity, which was a key factor for the success of the European integration process. Not only are democratic institutions widely absent or underdeveloped, sometimes the ideologies of the regimes in power are even mutually exclusive.

Self-restraint Military self-restraint is not practiced in the region. Ethnic and religious divides, as well as disputes over territory and natural resources, are omnipresent bones of contention. In the future, conflicts over water could be exacerbated. Neither do domestic political conditions exert a reliable check on military aggression of the own government, nor does a security community provide protection from foreign aggression.

Collective identity formation Even if the above-mentioned conditions were sufficiently satisfied, collective identity formation remains a gradual process, in which role casting and role taking plays an important role (Wendt 1999, Ch. 7). If one state treats another as if they shared a collective identity, the other state is inclined to actually adopt this role and to respond with pro-cooperative behavior. Over time, these roles are internalized; they depend less on recurring re-constitution through interaction, but become part of a state’s (relatively stable) collective identity. This process works not only within integrated regions but also in the relationship of integrated regions with outside actors. As other states and integrated regions treat an integrated region as a coherent actor of international society, the self-perception of this region tends to accommodate this external framing.¹⁴ In the context of AMC regional cooperation, role casting and role taking have been obstacles to closer integration: states treat another as competitors for external funding, for investment, for trade provisions. For instance, Morocco repeatedly asked to obtain a “special status” in its relationship with the EU compared to other AMC.

Deliberation The security tensions and the weak development of regional institutions explain the marginalization of deliberation in AMC regional cooperation. The Arab League is the only institutional forum which might provide a place and incentive for deliberation, a stable environment for the creation of pro-deliberative norms and capacities, as well as a hierarchy of shared values. However, as the

14 See Youngs (2004) on the external identity of the EU. See Pempel (2005) and Terada (2003) on the role of the Asia-Europe Summit (ASEM) on the formation of ASEAN+3 and of an Asian identity beyond ASEAN.

commitment to this institution is weak, outcomes of possibly deliberative processes are likely to be superseded by other forms of negotiations.

Regional Institutions

Regional institutions are weakly developed.¹⁵ No regional judicial system exists to reinforce regional agreements but disputes are settled in ad-hoc committees. Monitoring committees depend on the national governments for their work. The first (interim) Arab parliament met for the first time in December 2005. It has no binding legislative authority, can give its opinion only on matters referred to it by the Arab League council (representing Arab governments) and meets only twice a year. Its location in Syria, one of the worst Arab performers on the Freedom House scale, is indicative of its weakness. Furthermore, it consists of only 88 members, four from the parliaments (which are usually streamlined behind their governments) or advisory councils (where no parliament exists) of each Arab League member, who are appointed by national governments. Finally, the member states hold the Arab League on a tight financial leash, owing EUR 100 million to the League in 2004 (Al Zohairy 2005a).

Several factors indicate that the conditions for building more effective institutions are poor. Reforms of regional institutions tend to shift power within the member states, between the member states, between the regional and national level, and between regional institutions. Due to the multiplicity and uncertainty of its power-shifting effects, institution building tends to proceed incrementally as potential losers block reforms and as governments try to avoid possibly adverse outcomes that are difficult to reverse. This is particularly problematic given, first, the concern of authoritarian regimes that regional institutions might strengthen domestic opposition. Second, governments worry that other states may wield excessive power in these institutions and bias their effects in their own favor, which is particularly unsettling in the unstable security situation of the region. In addition, AMC regional bodies cannot rely on strong national constituencies, such as courts and parliaments, to fortify their position against governmental interests.

In recent years, under the leadership of Amr Moussa, the Arab League has wrested some compromises from national governments, such as the new interim Parliament. Further reform proposals endorsed by Moussa, notably an Arab court of justice or an Arab security council for regional disputes settlement, have not been approved by Arab heads of states (Al Zohairy 2005a).

Conclusion

The model suggested in this chapter adopts a comprehensive approach to regional cooperation drawing on diverse schools of thought. There is ample literature upon which to draw for further elaboration and operationalization of its variables.

¹⁵ Fawzy (2003, 29) states that "...the region lacks effective institutions to deal with formulating; implementing and monitoring the rules; laws; and policies necessary for regional integration to take place."

The selective application of the model to the Arab Mediterranean region leads to some tentative conclusions on the long-term prospects for cooperation among AMC. The substantial welfare gains that AMC could reap from regional cooperation are likely to further increase in the future. As AMC integrate into the world economy, they face stronger incentives to improve their competitiveness and to attract foreign investment through regional cooperation. In addition, the more they open up to their main trading partner, the EU, the greater their interest in regional cooperation in order to reduce distortionary hub-and-spoke effects. In non-economic terms, growing interdependence on the regional level and a greater interest in strengthening their bargaining position in the international realm could strengthen the regional ambition. These benefits are partly undermined by the security situation which adds to the risks of furthering regional interdependence through regional cooperation.

Since AMC, with the exception of Israel and Turkey, are authoritarian or semi-authoritarian states, the national welfare perspective is less indicative for the regional ambition than the gains and losses that the political elites expect. While a rhetoric of regional cooperation can underpin their internal/domestic and external/international legitimacy, serious steps towards regional cooperation would restrict the policy discretion which the political elites use to enrich themselves and to maintain their power. Furthermore, social problems—especially unemployment—may (temporarily) worsen in the wake of regional liberalization as social policies are underdeveloped and labor/financial markets are rigid. This could threaten the ruling elites. The private sector tends to support regional cooperation, though less enthusiastically than in industrialized countries as it is closely tied to the political elite and strongly dependent on governmental protection. While certain civil society organizations support the idea of regional cooperation, their political influence is still marginal. Overall, the considerable potential welfare benefits do not translate into a powerful domestic lobby for regional cooperation.

Whether regional ambition can be transformed into a functioning body of regional regulation strongly depends on the social capital prevalent on the regional level and on the joint institutions. Growing interdependencies, a sense of common fate, and shared Arab self-identification could be building blocs of a stronger collective identity. Such a development is, however, hampered by the different pace of reform, contrasting attitudes towards external influences (especially by the US), and the regional instability. These tensions also impede a more deliberative style of negotiations—as does the absence of a stable and independent institutional environment in which a set of shared values and norms could emerge. Arab regional institutions are weakly developed, with the competences of the few existing bodies being tightly restricted. This situation is unlikely to change significantly since ruling elites worry about political spill-over into their domestic spheres, since the AMC obstinately struggle over power, and since regional bodies cannot effectively build on national actors to expand their authority.

Considering the domestic political balance of power that is biased against regional cooperation, the tight security situation that undermines the creation of regional social capital, and the difficulties in empowering regional institutions, the conditions for deep regional cooperation among AMC are poor. For the foreseeable future, it is thus unlikely that the substantial welfare gains from intensive across-the-

board cooperation will be reaped. The pragmatic art of selectively realizing a part of the gains through a panoply of cooperative arrangements that may include extra-regional actors—and, thereby, also improve the conditions for deeper cooperation—will thus be at the center-stage. Several of these arrangements that go beyond the classic monolithic idea of regionalism are analyzed in this book.

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Chapter 4

Regionalism and Regionalization: The State of the Art from a Neo-Realist Perspective

Monica Gariup

Introduction

Unity and conflict are the two faces of stereotyped Arab culture. An old Bedouin Arabic proverb recites: “I and my brothers against my cousin; I and my cousins against the stranger (against the world)” (Patai 2002, 22). Although it generalizes and simplifies a complex system of values, norms, and mores pertaining to an extended and variegated community, the saying does summarize the main trends inherent in the Arab historical development and offers interesting insights into the dynamics and motives of cooperation and competition in the Arabian Peninsula.

The definition of an in-group identity structured around hierarchical layers of loyalties and prevalently characterized by the importance of family cohesion, blood relationships, ancestry and tribalism is counterweighted by a flexible and elastic designation of the “outsider,” the “stranger” or foreigner against whom the group rallies and channels antagonism and violence. In other words, the membership of the group and the relationships of the group with the external world are organized in a system of concentric circles, the boundaries of which are permeable and negotiable. These movements of inclusion and exclusion, fragmentation of the members (brothers against brothers, cousins against cousins) at the micro-level, but integration (brothers with brothers and cousins) at the macro-mega level are important starting points in the analysis of the contemporary attempts at regional cooperation in the area.

The underlying question of this research is thus framed around the issue of whether, and if so how, the above-mentioned principle translates into behavior and in particular, whether and how this norm informs the conduct of international relations in the Arabian/Persian Gulf.¹ In this context, the aim of the paper is to discuss the nature and role of the Gulf Cooperation Council (GCC), to assess the relative weight

1 The debated definition of the Gulf as “Arabian” or “Persian” does support the argument of inclusion/exclusion and is relevant in this context. Defining the Gulf as “Arabian” clearly delimits the membership to elements having in common a sort of Arab/Arabian identity (defined in terms of language and history) and excludes Iran (ancient Persia) from the Gulf. Due to limitations in space, this distinction will not be discussed further, although it does bear important implications in a strategic sense.

of endogenous and exogenous variables in the definition of the organization's institutional structures and policies, to appraise the rationale of security and defense cooperation in the region, and to finally elaborate on the implications of current and future options for the strategic stability of the area.

Specifically, this paper addresses a number of questions related to current discussions in International Relations, Security/Strategic Studies and Organizational Studies, and tries to apply and combine the theoretical underpinnings of different approaches in the analysis of the GCC. Against the most recent resurgence of culture and identity as independent (critical theory) or co-constitutive (social constructivism) variables, it will be argued that “neo-realist” structural determinants directly influence the formation, maintenance, and behavior of the Gulf Cooperation Council. Considerations of national sovereignty, territorial survival, and political and economic interests as well as the geo-strategic environment in which the organization is embedded and operates are the driving forces behind the cooperative experiment. Moreover, the normative elements of a supposed Arab or Arabian identity and culture—which normally would suggest a tendency towards deeper integration as it is generally purported in studies of the European Union or even NATO—represent in this case obstacles rather than facilitators towards the transformation of the GCC into a security community exactly because, as stated in the proverb, alliances and allegiances change on the basis of the definition of the “other” or the threat. The relatively recent creation of nation-states in the Gulf has not only drawn territorial boundaries but also “imagined communities” which do tend to fortify the inner circle of the in-group by externalizing whoever was once considered member of the “extended family.” In this sense, the only factor which may encourage closer cooperation and potentially integration in the sovereignty-sensitive fields of internal and external security affairs is the clear definition of a common external threat—or the securitization of an internal issue—rather than rhetoric and abstract ideals and principles of common identity. In the case of the Arabian Gulf and the GCC, thus, ethnographic or “culturally driven” interpretations do not supplant but actually support neo-realist explanations centered on the rationality of states' actions.

After a short introduction to the theoretical framework of analysis, the paper discusses the strategic environment characterizing the Arabian/Persian Gulf and the nature and role of the Gulf Cooperation Council as a sub-regional security organization. With a focus on defense arrangements and threat assessment, the final section elaborates on the correspondence between theoretical models and future options and scenarios for the stability of the region.

Finally, a note of caution to the reader: Without empirical ambitions, this paper is a preliminary exercise in theory testing written with the purpose of raising a number of issues and questions in preparation for a more focused and precise field research. This explains the nearly exclusive use of secondary resources and of analytical speculations, which might require deeper empirical support in order to be scientifically tenable.

Theoretical Issues and Framework of Analysis

Before discussing the peculiarities of the GCC case-study, it is important to review the major theoretical issues and perspectives which might be useful to understand the formation and role of sub-regional security organizations in general. The dichotomies in International Relations theory between structure and agency, cooperation and competition, and particularism and universalism do not only represent fundamental matters of debate in the discipline, but they also profoundly influence the way in which case-studies are framed and interpreted. In this context, this section sketches a series of theoretical questions and assumptions of relevance to the case-study at hand.

Determinants of Behavior: Structure/Agency – Interests/Identity

According to the proverb cited in the introduction, unity among the members happens only when there is a “stranger” threatening the group or family. This implies that the drive towards cooperation and eventually integration is exogenous to the organization. Such an argument does engage a number of debates in the discipline and in particular the relevance of internal or “soft” variables in the causal explanation of behavior—or the agent-structure debate between neo-realists and social constructivists. Directly linked to this is the question of the relative weight of material and ideational variables in the determination of behavioral outputs; in other words, whether interests and contexts trump values and identity. On the one hand, neo-realism and institutional liberalism contend that state behaviors are determined by systemic variables beyond the control of the single actors, and that, exactly because of this structure, states are rational actors whose interests are defined by the system in which they interact. According to these approaches, interests are a rational given, and they are mainly based on power and survival, intended either in political or economic terms. On the other hand, against this over-deterministic scheme, social constructivism and the more radical critical theory do try to throw the “black box” open by re-evaluating the role of ideational variables—internal to the actor—in the formation of state interests and thus in the explanation of state behavior and actions (see Waltz 1979; Carlsnaes 1992; Adler 1997; Hopf 1998; Price and Reus-Smith 1998; Zehfuss 2002).

In the GCC case-study, the question refers to the extent of the impact of the external environment and the pre-determined national survival interests of the members (structure) or of a common regional or sub-regional cultural identity—either in the form of pan-Arabism or “Arabianism”—(agency) on the formation of the organization and, as a corollary, on the conduct of its policies. In the security field, the first option implies an ad-hoc functional organization in the form of an alliance based on a minimum common denominator. The second one would hint at the existence of a “security community” sharing not only common interests but also a common system of norms and meanings calling for further integration and eventually political unification (Adler and Barnett 1998).

The assumption here is that the motor of the GCC is interest-driven (rationality) rather than normative, and that references to any form of common identity or values are only rhetorical exercises of scarce impact on policy outputs and outcomes. Hence, material survival and wealth do trump ideological allegiances.

It should be recognized however that research into the normative sources of international behavior does produce in many fields convincing hypotheses and explanations. For what concerns this case-study, the particular conditions characterizing Arabian societies—opacity and personalization of the political systems—together with the proverbial confidentiality idiosyncratic of security and defense policy communities in general represent an empirical and epistemological challenge difficult to overcome.

Patterns of Behavior: Cooperation and Competition

Whether and when brothers cooperate or compete depends on a number of factors including first and foremost the definition of the other, or the threat. Issues of cooperation and/or competition or more in general the behavior of states—and at the anthropological bottom, of human beings—dominate debates in International Relations. For what concerns the GCC case-study, the dominance of the one or the other type of behavior as motor behind the formation and evolution of the organization could suggest important insights into the nature and the prospects of regional cooperation in the region.

Neo-realists consider competition as a natural characteristic of the international system: as it is the case for classical realists and their state of nature in which *homo homini lupus*, states do need to maximize and counterweight the power of other states if they want to survive as sovereign entities. According to neo-realists thus, since the asymmetric gains produced by cooperation are potential security risks (inasmuch as they are relative gains), states will tend to cooperate only when the system is rigid—that is, it is structured around bipolarity (Gowa 1994)—and will cooperate only in order to balance or bandwagon power endangering their security (Powell 1991; Waltz 1979; Walt 1987). On a similar line, Hegemonic Stability Theory postulates among other things that cooperation between states will happen only if there is a hegemon—regional or otherwise—to appease or counterweight (Gilpin 1971). The pre-eminence of competition in the neo-realist theoretical toolbox however does overshadow the reality and success of regional or functional cooperation, which goes beyond the definition of traditional security—intended here as territorial and political-military—and does tend to persist also in multi-polar systems. Neo-liberal institutionalism does offer a more positive and tenable view of cooperation because, as Keohane argues, states decide to “functionally” or “contractually” cooperate rather than compete in order to maximize their gains, which, contrary to neo-realism, are here considered in absolute terms (positive aggregate effect). However, neo-liberalism does not contradict the basic tenets of neo-realism and in particular the canons of rationality, sovereignty, and anarchy (Keohane 1984; Keohane and Nye 1977). Directly related to the discussion about the determinants of behavior, social constructivists on the other hand, along with the claim that interests are constructed by the actors through processes of communication and interaction, contend that the neo-realist/neo-liberal idea that the international system is exclusively constituted by sovereign states is substantially flawed and out-dated, and that cooperation is not so much the rational reaction to a supposed existing international structure, but the result of ideas successfully brokered by hegemonic actors who dominate the

definition, distribution, and institutionalization of these collective understandings (Ruggie 1982; Ruggie 1992). These three systemic theories—the fourth, critical theory, is not considered here for epistemological reasons—despite micro or macro differences, share not only a common objectivist epistemology and a pre-dominant focus on the international rather than domestic determinants of preferences, but most importantly, they do all maintain that power—either material or immaterial—plays a fundamental role in inducing cooperation. Oddly enough, neo-realism and social constructivism agree on the necessity of hegemony—or an unbalanced or potentially unbalanced system—as a pre-condition of cooperation.

For what concerns the GCC and the Arabian Gulf as a sub-regional system, the assumption would thus be that the member-states entered and maintain the organization in order to balance an external threat and/or to bandwagon an internal power. By the same token, from a constructivist perspective, it could be argued that the idea of regional cooperation and the rhetorical reference to a common Arab identity was the communicative response in order to balance other ideas of competing identities (the appropriation of the Islamic identity by the Iranian revolution) or bandwagon the fragmentation caused by local nationalist movements.

Level of Analysis: Regional Security Complex

Competition and cooperation are patterns of behavior, but a theory of action would not be complete without a discussion of the aims or goals that those behaviors are performed to achieve. In international relations, as mentioned above, the most important aim, interest, and value of the actors—states, organizations, or even individuals depending on the theoretical approach—is survival. The concept of security is directly connected to existential issues of survival. However, the central question and matter of debate in the discipline is the definition and substantiation of the referent object of survival/security. Strategic or better security studies have been dealing with the same theoretical issues informing the discussions exposed above. Realists and neo-realists conceptualize the referent object in terms of material and territorial values, neo-liberals focus more on economic wealth, while constructivists and critical theorists emphasize the importance of survival of ideas, cultures, and identities. In this sense, any form of cooperation—or competition for that matter—has as its final aim the preservation or security of an existential interest.

The concept and dynamics of security has been the object of heated debate in the last decades. Despite major disagreements concerning the width and depth of the phenomenon, scholars tend to acknowledge that security is a relational concept centered on the existence of a danger or a threat (or the so-called security dilemma). As Buzan points out, the security of an actor is commensurable only if considered in light of the systemic interdependence among the components of the system (Buzan 1991, 187). Of particular relevance here is the “Security Complex Theory”—an attempt to bridge neo-realism and constructivism developed by the Copenhagen School.

A security complex is defined as “a set of units whose processes of securitization, desecuritization, or both, are so interlinked that their security problems cannot reasonably be analyzed or resolved apart from one another” (Buzan et al. 1998, 221). The regional or even sub-regional level of analysis becomes in this way central in

the mediation between state and system levels, whereby security interactions among neighbors are prioritized due to the shorter distance of the potential threats (Buzan et al 1998, 18-19). Geography and proximity do mediate the effects of anarchy and can become an incentive for the creation of security regimes or even the evolution towards veritable pluralistic security communities (Deutsch et al 1957). It should be noted however, that the nature of a security complex is both conflictual and cooperative due to the interdependence of rivalry and shared interests. The transformation into a pluralistic security community as envisaged by Deutsch would require the existence and persistence of patterns of positive communication and interaction leading to a shared identity but also and most importantly the ruling out of the use of force in the settlement of disputes among the members.

In reference to the already discussed motives of cooperation in general and of security cooperation in particular, the concept of overlay does reiterate the idea that the presence of external actors in the region tend to suppress the normal security dynamics among the local states: referring to the proverb once again, the brothers and the cousins set aside or temporarily de-securitize intra-regional conflicts in order to unite to face a common threat (Buzan 1991, 198). In addition, Buzan individuates in the arrangement of the units, the patterns of amity and enmity, and the distribution of power the structural components of any security complex. Apart from the essentially external phenomenon of overlay then, a security complex may change—regressing to forms of anarchical self-help or progressing towards integration—because of internal and external transformation: a process of alienation or deepening of cooperation on the one hand, and the reduction or the widening of the membership in the complex on the other (Buzan 1991, 216-220; Buzan et al 1998, 13-14).

Another element important for the discussion of the GCC as a sub-regional organization—because, as will be highlighted, the Gulf Cooperation Council has developed into more than a “traditional” security organization—is the distinction between homogeneous and heterogeneous security complexes: the first one refers to a sub-system exclusively composed of similar units (states in this case) and operating within a unique sector (political-military), while the second one accepts the interaction of a variety of actors beyond the states and the integration of different domains (political but also economic, cultural, societal) (Buzan 1998, 16). Such specification has the merit of allowing for a more sophisticated analytical framework encompassing levels, units, and sectors, and offering a more comprehensive interpretation of security.

On the basis of this theoretical background, the Gulf Cooperation Council is assumed to be part or constitute a sub-regional security complex—homogeneous for what concerns the units-members, but heterogeneous for what concerns the sectors considered—the creation and evolution of which is strongly influenced by reasons of internal distribution of power and external overlay. It should be noted finally that the definition of the security relations in the region in structural terms does not contradict alternative explanatory frameworks centered on “super-structural” variables such as ideology, culture or identity. As a matter of fact, the Copenhagen School does contain variants of more social constructivist strains, which do acknowledge the combination of material and ideational components of the structure (Guzzini 2000). So for example, the model would hold relevant even if patterns of amity and enmity

are determined by subjective perceptions and collective constructions influenced by ideological, political, or cultural factors. The inclusion or exclusion of members in the complex may thus be influenced by what is also called the “politics of identity”.

Institutionalization of a Security Complex: Width and Depth of Cooperation, Organizational Structure, and Actorness

As hinted in the previous hypothesis, the last cluster of issues useful for the analysis of the GCC as an example of regionalism refers to the degree of institutionalization of the relationships internal to the sub-regional security complex, the width and depth of cooperation, and the impact of such an organizational structure on the construction of an autonomous security actor in the format of a collective entity. In more general terms, the question points to the structural and normative dilemma between universalism and particularism, inclusion and exclusion, in the process of evolution from a security complex into a regional organization. Moreover, the sub-regional complex-turn-organization may act as a unit at the regional or even global international level, as the case of the European Union and increasingly NATO tend to suggest.

The acknowledgement of the security interdependence between neighbors and the pro-active decision to create an international institution to regulate and structure the relationships between the members are the starting points in the transition from the notion of a region intended as a mere geographical system of interacting units to the notion of a “regional society” (Ayoob 1999, 247). According to Bull and the English School, a society of states “exists when a group of states, conscious of certain common interests and common values, form a society in the sense that they conceive themselves to be bound by a common set of rules in their relations with one another, and share in the working of common institutions” (Bull 1977, 24). It should be noted that the institutionalization of a security complex into a regional society does not necessary mean that the final outcome will be a regional “community” in the Deutschian sense. “Cognitive regionalism” or the overriding of mere material incentives in the name of mutual sympathy, loyalty, a sense of we-ness, and a shared regional identity may in time be the product of a process of social learning, but it is not a sufficient condition for the creation of durable and efficient collective institutions (Hurrell 1995, 65). As it will be shown in the following, the reference to identity in the discourses stemming from the GCC is not a pre-requisite for cooperation, but it can be considered as an embellishment of more down-to-earth motives.

The institutionalization of international relations can take a variety of forms and can range from diplomatic contacts to ad-hoc bilateral or multilateral agreements, regimes, international organizations or even the integration of the units in a new polity. Due to the structural characteristics of a security complex however—the combination of cooperative and conflictual elements as well as the preservation of national sovereignty—the final stage of integration is unlikely. Theoretical studies of non-economic regionalism are often normatively influenced by integration theory rather than the more “neutral” organizational theory. The dominant discourse of integration constructed around and for the benefit of the European experiment and

based on the idea of federalism is contrasted by the so-called “logic of diversity”: according to Hoffmann, every international system—or sub-system for that matter—is particular and formed by the specific domestic determinants, the geo-historical situation, and the aims of its units, but at the very bottom, “in areas of key importance to the national interest, nations prefer the certainty, or the self-controlled uncertainty, of national self-reliance, to the uncontrolled uncertainty” of integration (Hoffman 1966, 864). This would suggest that deepening of cooperation—that is, the expansion of cooperation to fields which go beyond low politics and the introduction of forms of collective policy-making in security and defense policy—does not necessarily happen because of neo-functionalist spill-over, rather, it is the result of calculations of costs and benefits. By the same token, horizontal widening of cooperation and the inclusion of other regional members depends on the same rational reasoning: membership in the institutionalized security complex would be dependent on the regional distribution of power.

Since cooperation and not integration is the mantra of such an organizational arrangement—and instances of competition are not ruled out completely—intergovernmentalism defines the institutional format of the collaboration. As a consequence, the organization does not take up a life of its own and remains ruled by the member-states. The acknowledgement of the interrelationship between different dimensions of security—economic, societal, and political-military security—has an impact on the breadth of activity taken up by the organization (Buzan et al 1998). However, the widening of the scope of action is not directly correlated to a deepening of centralization in terms of the creation of common and independent organs. Unless the institutionalized security complex evolves into a regional society or community, issues of actorness of the cooperative organization remain irrelevant to the principal aims of the constituting member-states.

In the GCC case-study, the multi-dimensional security interdependence leads to the institutionalization of the complex in the format of a regional intergovernmental organization, but deepening and widening of the cooperation are dependent on the member-states’ perceptions of their specific national security interests and their evaluation of their relative strategic position in the sub-regional system, rather than normative considerations of a regional society and/or community.

The Structure of the Sub-Regional Security Complex in the Arabian/Persian Gulf

The Gulf region lies at the intersection between Asia, Africa, and Europe. Its geographical position together with the wealth in energy resources makes the Gulf one of the most important strategic areas in the world. Located in the wider Middle East and integral part of the so-called “Arab” world, the sub-region is particularly interesting to test the assumptions exposed above.

As a consequence of the fact that the majority of the nation-states of the area have acquired independence only relatively recently, it is not surprising that their major concern is the protection of their territorial sovereignty. At the same time, due to its strategic position, the Gulf has also been subject to hegemonic systems

of global extent. As Mojtahed-Zadeh notes, three types of security regimes have characterized the international relations of the region: “Pax Britannica” from 1918 to 1971 when the British forces withdrew from the area; “Pax Saudi-Iranica” until the Islamic Revolution of 1979; and finally and currently the global “Pax Americana” (Mojtahed-Zadeh 1998). If one considers however that the so-called “Pax Saudi-Iranica” was a product of the US—and in particular Nixon’s—strategy of using proxy powers in order to keep control in its sphere of influence, then also this regime can be described as externally induced.

Despite or exactly because the security regime in place is directly connected to the global system of international relations, the Gulf has been the theater of a number of conflicts in the last two decades: the 1980-1988 Iran-Iraq War, the 1991 Gulf War (Iraq-Kuwait), and the 2003 US-coalition-Iraq War. This turmoil does not only explain why security is on top of the preoccupations of the countries of the region, but it can also be brought as evidence of the impact of systemic variables on the sub-regional security complex because in all cases external powers were indirectly or directly involved. The consequences of 9/11 and the strategic positioning and actions of the United States confirm this assumption.

The influence of external powers—or overlay—is thus the principal characteristic of the complex. The strategic interests of the United States in the region are directly related to the maintenance of its global hegemony: oil, navigation freedom, terrorism, and weapons of mass destruction are its major concerns along with regime change and democratization (Henderson 2003; Afrasiabi 2005). In a unipolar global system, the structure of the sub-regional complex is inevitably constructed around the position of the hegemonic superpower. At the same time, other external actors are active in the region. European countries (UK, France, Germany in particular) and the European Union share with the United States energy interests, and the proximity of the Gulf to their territories represent an important factor in the definition of the European relations to the region². By the same token, Russia, India, and China do not only consider the Middle East in general and the Gulf in particular as profitable markets for energy and armaments products, but at a more grand strategic level, the region is important to them because it could be the stage of geopolitical competition against American hegemony.

Inevitably, amity-enmity patterns as well as cooperative-competitive tendencies in the region are influenced by this overlay and the changes in the systemic power distribution. The relative power and interests of the three regional great powers – Saudi Arabia, Iran, and Iraq – are thus strongly correlated to their relationship to the global hegemonic power. For instance, Saudi Arabia has been cooperating with the United States in order to balance or counterweigh Iraq before and Iran then, Iraq has been “sanitized” after 2003, and Iran’s relationships to the region are directly linked to its contest with the US and the international community (Sokolski 2003). The United Arab Emirates, Qatar, Bahrain, Oman, Kuwait, Yemen—small countries in terms of territorial extension and population—are also influenced by the external overlay, and their mutual relations to the regional great powers.

2 See for instance: NATO’s Istanbul Initiative in the broader Middle East.

Although at the global systemic level rhetorical references to common identity and Arab nationalism may be regarded as important determinants of actors' preferences, at the sub-regional level they only play a minimal and superficial role and do not tend to impact the power composition of the system. In this sense, pan-Arabism cannot be considered as a sub-systemic variable anymore (Fouad 1987, 98). The ideological principle of Arab nationalism based on the concept of "human solidarity, whose members believe that they form a coherent cultural whole, and who manifest a strong desire for political separateness and sovereignty" (Lewis 1999, 140) was justified as a reaction to external rule (see Ottoman Empire), but as Barnett points out it was "both an aid and a threat to domestic stability, the government's autonomy, and perhaps even the state's sovereignty" (Barnett 1998, 50). It was an aid because it helped the states of the region to legitimize their independence vis-à-vis the external powers. At the same time, though, the inherent interdependence created by the idea of a unique identity represented a challenge to the sovereign development of the nation-states and the clear definition of their national interests (Darwisha 2005, 13).

This is why the allegiance to the individual states or to Islam superseded the rhetorical lip-service to the idea of Pan-Arabism. Paradoxically, however, this increasing individuation and fragmentation—emphasized by an embedded polarity characterized by the absence of a single dividing fault line (Shiite/Sunni, democratic/dictatorial, rich/poor, industrialized/agricultural etc.) (Barnett 1998, 51; Hudson 1979)—can in the framework of a security complex be interpreted as the favorable condition for the creation of regional institutions (Bilgin 1998, 11). In other words, the consolidation of the state level and the demise of the idea of pan-Arabism facilitated rather than contrasted regionalization, inasmuch as the individual states clearly defined their particular interests and saw in cooperation the potential for enhanced capabilities necessary to deal with the systemic and sub-systemic challenges (Hudson 1979, 94).

The Institutionalization of a Sub-Regional Security Complex: The Nature and Role of the Gulf Cooperation Council (GCC)

Given an environment characterized by nation-states whose interests are defined in realist terms, the existence of regional turmoil encourages initiatives to enhance stability and balance of power. The institutionalization of the Gulf sub-regional security complex through the formation of bilateral and multilateral agreements of regional cooperation in a variety of fields can be considered as the product of attempts at strengthening the sovereignty of the states on the one hand and at balancing or bandwagoning regional great powers by giving to the smaller states the advantage of the politics of scale (Zanders 1995). The creation of a regional or sub-regional organization has the effect of formalizing security relations and responds to the ambition of re-dressing unbalance in the distribution of power, by strengthening the collective position of the members in the sub-system.

The Gulf Cooperation Council—composed of Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Bahrain, and Oman—was created in 1981 after the leadership of the member states realized that their divergent security strategies could in the long run be

counterproductive to their final aim of independence protection. Although security was not the explicit declared objective of the organization, the factors pushing for such formalization were clearly of a security and systemic nature. The pressure of the US/URSS influence strategies, the Israeli-Palestinian conflict, and the threat of internal instability alimented by the 1979 Iranian Revolution and by an upsurge in revolutionary Arab nationalism could be considered as major factors characterizing the volatility of the system. However, the catalyst that permitted the Gulf states to formalize their cooperation into an organization without necessarily antagonizing Arab nationalists was the Iran-Iraq war, which offered the pre-text of excluding both countries from the organization (Kechichian 1990, 91). Iran and Iraq—supported respectively by the Soviet Union and the United States—were ultimately fighting not only for territorial reasons, but first and foremost for the establishment of regional hegemony. The choice of not including them in the organization can be seen as a strategy to balance their power.

Despite fundamental differences concerning the nature and role of the new organization, the Charter of the Cooperation Council for the Arab States of the Gulf was signed in Abu Dhabi on 25 May 1982. Based on strict neutrality and an accent on economic development, the ambition set out in the document was “to effect coordination, integration and interconnection between member states in all fields (...) In an endeavor to complement efforts already begun in all essential areas that concern their peoples and realize their hopes for a better future on the path to unity of their States” (Gulf Cooperation Council Secretariat General 1982). The reference to the “Arab and Islamic causes” in the preamble of the Charter is considered to be a rhetorical exercise to appease the suspicions in the Arab World of the intention of the six to break free from the pan-Arabist movement.

Before discussing the substance in terms of width of cooperation, however, it is necessary to digress on the institutional format of the organization in order to specify the level of institutionalization achieved. The legal political framework of operation is that of a comprehensive regional inter-governmental organization where the member states fully retain their sovereign rights. This means that there are no independent organs, and that decisions are taken by the Supreme Council—composed by the six Heads of State, and with rotating presidency—by unanimity. It should be noted however, that decisions have more the value of recommendations: there are no sanctioning mechanisms to punish non-conformity. Other organs such as the Ministerial Council, the Secretariat General, and the Consultative Commission have with different degrees of importance a mere consultative role.

The stated objectives are establishing common regulations in the field of economy, finance, tourism, trade, customs, and administration; fostering scientific and technical progress in mining, agriculture, water and animal resources, encouraging cooperation in the private sector (GCC Charter). As a sign of success in the achievement of these goals, in January 2003, the free trade area and customs union was launched, and agreements on the harmonization of a number of policies have been signed and implemented to that regard (Baabood 2003, 254). The difficulty in implementing these initiatives, though, further illustrates the obstacles on the path of even technical cooperation.

Interestingly enough, given that the major motors for the creation of the GCC were of a security nature, there is no mention in the original Charter of security issues. Although the final communiqué called for an end to the Iran-Iraq war, recognized the Palestinian right to an independent state, and expressed adherence to the Arab League's and the United Nations' charters, the security motives and agenda of the organization remain ambiguous. The members acknowledge the interconnected nature of their security, and rhetorically they consider external aggression against one of the members as an aggression against all. However, no actions or capabilities of a considerable importance have been taken or developed in that regard. As a matter of fact, the Iraqi invasion of Kuwait exposed the ambiguities and the weaknesses of such an ambitious collective defense project.

All the same, it is evident that military security cooperation is an important aspect of the GCC inasmuch the members consider themselves as the regional guarantor of stability (Christie 1987, 16). The organization has slowly been taking up the outlook of a defense alliance, albeit not necessarily an efficient one. In particular, the creation of the joint 15,000 Peninsula Shield Force in 1982 for rapid deployment against external aggression, the installation of a military communication network for early warning in 1997, the 2000 common defense agreement and the 2001 collective security agreement, the formation of a Joint Defense Council in 2001 and of a Supreme Military Committee in 2003 can all be considered as indices of attempts to promote collective defense.

These attempts however are not sufficient alone to achieve the aim of regional stability because the difference between the military capabilities of the great powers of the region and the collective ones of the GCC countries is so pervasive that the institution of legal mechanisms of common defense would not be able to insure security of the members in case of attack (Luethold 2005). Acknowledging these structural deficiencies—in terms of army size, armaments' production and usage, interoperability—the Gulf states and not the GCC per se (since the organization does not interfere with the conduct of the individual national foreign and security policies of the members) have opted for national solutions to their problems of security by entering into bilateral agreements with the United States and other European powers.

It should be noted that there have been attempts to bolster the defense capabilities of the GCC, but that they have been unsuccessful essentially because of exactly that mix of cooperative and competitive tendencies inherent to a security complex. In practice, members could not agree on a number of issues mainly related to the command and control of joint forces—such an attitude reveals the internal drive of bandwagoning the relative power of the members inside the organization and a basic diffidence towards the partners. This is why the proposal launched by Oman in 1991 to qualitatively and quantitatively upgrade the “Peninsula Joint Shield” forces was not endorsed and the proposal of grounding the sub-regional security complex within the wider Middle East has not been implemented. In fact, in 1991 the GCC states signed together with Syria and Egypt a “Treaty of Arab Joint Defense” or “Damascus Declaration” whereby not only did they pledge closer economic cooperation but also the formation of a loose military alliance and base for a common foreign policy concerning the issues of the Middle East Peace Process, Iraq and Weapons of Mass

Destruction (WMD), Emirates Islands (the sovereignty of the United Arab Emirates over the three islands of Greater Tanb, Lesser Tanb, and Abu Mousa currently occupied by Iran), and finally international violence and terrorism. The institutional reality that member states are free to make their own defense arrangements and the strong systemic pressures they are subject to makes them prefer to rely on an external guarantor, rather than strengthening the GCC.

Given this setting, the options for a widening or deepening of security cooperation discussed by some analysts seem to be unrealistic. Three options in particular have been put forward: the creation of a comprehensive security cooperation focused on human security between the GCC and Iran, Yemen, Pakistan and Iraq or alternatively with only Yemen, Iraq and India; a collective security system with the participation of all of the Gulf states including Iran; or a collective defense system framed on the model of NATO with the participation of external powers (US or European states or EU) (Kishk 2004). Only the third scenario could bear some credible implications in practice, but it would require a strong and formal engagement by external powers.

Another element of the analysis in the evaluation of whether a security complex is institutionalized is the individuation of a common threat assessment framework. According to the GCC, the common platform for the coordination of foreign policy has brought to the generation of “close, if not identical, perceptions of the outside world” (Gulf Cooperation Council General Secretariat 2005). As a matter of fact, at least at the discursive level, there is a concomitance in the issues identified as threatening or challenging not only the security of the individual members but above all the stability of the sub-region. However, since public discussion of matter of national security seems to be taboo, the following is simply a report on the official views that transpire in the press.

The call at the GCC “Fahd” summit in Abu Dhabi in December 2005 for a nuclear-free Middle East refers to the threat Iran but also Israel pose for the region. It should be noted however, that the GCC maintains a low profile in the current dispute between Iran and the international community in relation to Iran’s projects of uranium enrichment and the suspicion of WMD production: the Summit declaration includes issues about the risks from “radioactive leakages” from Iranian reactors, but it does not explicitly intervene in the WMD question. At the same time, the Council addressed the issue of the non-membership of Israel in the Nuclear Non-Proliferation treaty and called for inspections of Israeli facilities (Gulf News 2005).

Another concern for the GCC is the situation in Iraq and in particular the implications of the Sunni-Shiite “civil war” for regional balance. The temporary demise of Iraq from the regional power game may have destabilizing effects also in relation to the connection between Iran with its Shiite majority and other Shiite communities who live in the Gulf countries (in Bahrain for instance). Apart from these issues, the territorial disputes between the UAE and Iran because of the latter’s occupation of the islands of Abu Musa, Greater and Lesser Tunbs in 1971, and the security and the freedom of the waterway are on the security agenda of the organization.

In connection with the 1987 Comprehensive Security Strategy and its successive developments and implementations, cooperation in the area of traffic, punishment and correction establishments, immigration, airport security, anti-drug trafficking,

border and coastal guards, anti-arms smuggling, and civil defense—that is “soft” security—has been introduced. In this context, major issues of concern for the GCC are migration movements which threaten to the demographic balance in the region and militant extremism, which does not only represent an internal threat to the stability of the individual regimes, but because of its relationships with external powers—Iraq and Iran in particular—has an impact on the sub-regional security debate.

Conclusion

The case of the Persian Gulf demonstrates that instances of cooperation in a region or sub-region, which contains the characteristics of a security complex, are dominated by the systemic logic of balance of power. The overlay of external powers, the definition of national interests, and the pattern of amity-enmity more than an empty reference to a common identity are the determinants of cooperative behaviors of the states. The Gulf Cooperation Council is thus a mere exercise in institutionalized cooperation rather than an incipient of a veritable regional society. Along with the competition among the sub-regional great powers for hegemony, the fact that the Gulf region is strategically and economically one of the most valuable in the Third World elicits massive direct and indirect interventions on the part of external actors. This state of affairs does not allow the GCC to develop and maintain an autonomous and credible role as a balancing factor in the area.

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Chapter 5

Regionalism and Securitization: The Case of the Middle East

Bezen Balamir Coskun

The paradox of the Middle East has been captured by its description as “a region without regionalism” (Aarts 1999, 911). Despite the intensification of regionalism across the globe over the past two decades, the Middle East has been largely absent from this trend. From a comparative perspective, it has the lowest relative degree of regional integration in the contemporary world. Apart from the ongoing conflict between Israel and its Arab neighbors, which makes any attempt to achieve an all-embracing regionalism meaningless, Arab countries have not created any long-term regional unity among themselves. The Middle East has remained a region of conflict and instability. Structures for regional security and stability have not been created.

The Middle East presents an interesting anti-case for the analysis of regionalism. There are several reasons why the Middle East is an anti-case with regard to regionalism, including divergence of national interests, the involvement of global powers in regional affairs, the Arab-Israeli conflict and the role of “political Islam”. In addition to these various political reasons, at the cognitive level the negative perceptions, stereotypes and prejudices of regional actors have also played a significant role in terms of schemes of inclusion/exclusion whose most significant embodiment is the Arab-Israeli conflict.

The discourses of politicians and security elites are based on schemes of inclusion and exclusion. Most societies construct their identities by positioning themselves vis-à-vis “*other(s)*.” In general, social interaction among different groups is influenced by the way in which the “other” is perceived. Actors develop positive and negative conceptions of each other through their interactions with significant others. Thus, positive or negative characteristics of identification with the “other” affect the quality of the security constellation.¹ It is normal to assume that social interaction would be damaged as a result of conflict situations. This damage is further exacerbated when the interaction is among groups experiencing acute conflict, as in the Arab–Israeli case. In the region, both Arabs and Israelis have securitized the “other” through their interactions, and thus constructed inclusion/exclusion schemes, which have contributed to preclude regionalism in the Middle East.

In this chapter, regionalism in the Middle East will be analyzed in terms of regional security. Here regionalism is regarded as a regional security complex,

¹ A “security constellation” is defined as the whole pattern formed by the interplay among the sectors, and levels of analysis in regional security.

which takes regional security and stability as the vital concerns of regionalism. Consequently, as opposed to the general tendency to exclude Israel from regional frameworks, here it is argued that this exclusion cannot be allowed to continue since Israel is an integral part of regional security as a conflict partner, but also as a partner in conflict management.

The objective of this chapter is to analyze the securitization of “other” in the Middle East regional security complex. It is assumed that, in the Middle East case, the concept of “other” has negatively affected regionalism and in many cases blocked cooperation efforts. The following questions will be explored through a framework of analysis, which combines Alexander Wendt’s collective identity formation model with the Copenhagen School’s regional security constellations and securitization process arguments: How do schemes of inclusion/exclusion work and affect the outcome of the regional security constellation? Considering the securitization of the “other”, how has the Arab–Israeli conflict affected the transformation of the regional security constellation from conflict formation to security regime in the Middle East?

In order to answer these questions, the first section is a review of the regional security complex as a type of regionalism. Following this section, the conceptual framework for analysis of the regional security complex and the role of securitization in the security constellation of a particular region will be presented and applied to the Middle East. In this section a brief background to the evolution of “self–other” relations between Arabs and Israelis will be reviewed within the context of the theoretical framework of analysis. The last section consists of an analysis of the possibility of a transformation of identity within the respective security constellation from being one of conflict formation into a security regime in and for the region. Conclusions will be presented in the final section.

The Regional Security Complex as a Type of Regionalism

Despite the debates on the definition of regionalism, it generally refers to “a policy and project whereby states and non-state actors cooperate and coordinate strategy within a given region” (Fawcett 2005, 24), and promotes common goals in specific issue areas. Moreover, it serves as the strategic goal of region-building and of establishing regional coherence and identity. The progress of regionalism is determined by region-specific, geographical, political, economic and cultural concerns as well as region-specific norms, values and practices.

Michael Smith (2001, 60) identifies three varieties of regionalism in accordance with the major patterns of interaction among regional actors: regional integration, regional trans-nationalism and regional security complexes. Regional integration, which is based on the intensification and institutionalization of economic interdependency, is the most outstanding form of regionalism. Regional integration is closely linked with regional trans-nationalism since much of the regional interests and processes are trans-national in scope. As far as regional security complexes are concerned, regional security and stability have been the vital concerns of regionalism (Smith 2001, 61).

The concern with regional security and stability has been one of the main focuses of regionalism. Particularly for conflict-ridden regions such as the Middle East whose security and stability are interlinked with global security, it is extremely important to understand regional security dynamics in order to analyze the prospects and problems in forming regional security regimes or security communities. Thus, in this chapter “regional security complex” is chosen from among three types of regionalism in order to analyze regionalism in the Middle East.

During the 1990s, Barry Buzan developed the notion of the “regional security complex.” Lately, Barry Buzan and Ole Wæver (2003) have modified the concept to provide a framework for the post-Cold War international security structure. A regional security complex is defined as “a set of units whose major processes of securitisation, desecuritisation, or both, are so interlinked that their security problems cannot reasonably be analysed or resolved apart from one another” (Buzan 2003, 141).

Regional security complexes are mainly constructed by patterns of “amity” and “enmity”. These patterns are socially constructed based on historical factors or common cultures (Buzan and Wæver 2003, 41). The patterns of amity and enmity within a regional security complex affect the security constellation of a region, which can be located on a spectrum according to the security interdependence between “selves and others.” At the negative end of the spectrum there is conflict formation; at the positive end there is a security community, and in the middle are located security regimes.

As far as the Middle East is concerned, according to Buzan and Wæver (2003, 187), it is a place where “an autonomous regional level security has operated strongly for several decades, despite continuous and heavy impositions from the global level.” In the Middle East regionalization of conflict has been realized, but it has failed to generate durable regional structures for conflict prevention and conflict management.

In spite of the various definitions of the region, Buzan and Wæver see a pattern of security interdependence that covers the geographical area stretching from Morocco to Iran and including the Arab states, Israel and Iran (2003, 187). In the Middle East security complex, interdependencies do not imply cooperation. Generally, any peaceful settlement in a particular region requires a comprehensive regional engagement. In the Middle East divisions among regional states have reflected the absence of pan-regional institutions. Alliances and cooperation, when they occur, shape and reshape themselves across areas of conflict where institutional cooperation such as regional security regimes has remained limited. One of the reasons behind this phenomenon may be the inclusion/exclusion schemes which have been constructed by Arabs and Israelis through the securitization of “other” throughout their interactions in the region.

“Self” and “Other” in a Regional Security Complex: A Framework for Analysis

Given the linkages between security and anarchy in international relations, realism and neorealism see cooperation as being contingent upon a state's drive for security. In this regard states become involved in collective unities in order to secure and consolidate their positions and power or to balance against the power and threats of others. Moreover, it is assumed that dominant states and hegemony act as facilitators and perpetrators of regional integration/regional cooperation. Maybe realist arguments and assumptions could explain the main drive behind regional or international alignments. But as far as the Middle East is concerned, they only provide a partial explanation since Middle Eastern states have been bad balancers and weak hegemony partly because of the presence of powerful identities that overlap and even conflict with the existing state system (Fawcett 2005, 175). As a result of the complexity of the intraregional relations, the external actors' capabilities to impose regional security structures have always been limited. In most cases, historically and socially constructed animosities prevent regional actors from considering cooperation and integration at the expense of rational choices.

The behavior of Middle Eastern states shows the power of shared and conflicting identities. In this regard, constructivist theories, which prioritize the importance of norms, shared experiences and values, would be considered as useful in explaining a region where ideas and identity offer better explanatory value (Barnett 1996, Barnett 1998, Sela 1998, Telhami and Barnett 2002, Hinnebusch 2005).

Given the explanatory value of constructivist approaches, a synthesized constructivist framework for analysis is suggested for analyzing the identity–regionalism nexus in the Middle East. Here, instead of choosing just collective identity formation theory of Alexander Wendt or just Barry Buzan's and Ole Wæver's regional security complex theory, a synthesis of the two will be employed to understand the regionalism phenomena in the Middle East (Figure 5.1). It is argued that, if integrated, these theories would have considerable value in understanding a region where ideas and identity have a strong explanatory value. By explaining the development of positive and negative identification with each other, Wendt's collective identity formation theory complements well regional security complex theory, which lacks tools for the analysis of the origins of amity and enmity within a regional security complex. On the other hand, Buzan's and Wæver's concepts of securitization/desecuritization complement Wendt's model in explaining how discursive processes work and how a security constellation is transformed.

According to this synthesized framework, it is argued that international actors (in our case regional actors) develop positive and negative conceptions of each other through their interactions with “significant other(s)”. Throughout these interactions several discursive processes work to construct inclusion/exclusion schemes. Regional actors identify themselves with “other(s)” negatively or positively. The positive or negative characteristics of identification with the “other” will determine the quality of security interdependence in the region, which affects the dominant culture of anarchy, and the security constellation outcomes that prevail in the region.

Identification with 'Other' (A. Wendt)	Security Interdependence Among Actors (B. Buzan & O. Wæver)	Process (B. Buzan & O. Wæver)	Dominant Culture of Anarchy (A. Wendt)	Security Constellation Outcome (B. Buzan & O. Wæver)
Negative	Enmity	Securitization	Hobbesian	Conflict Formation
Neutral (feeling of potential threat but seek to resolve security problems)	Rivalry	Normalization	Lockean	Security Regime
Positive	Amity	Desecuritization	Kantian	Security Community

Figure 5.1 'Self' and 'Other' in Regional Security Complex: A Framework for Analysis

When Arabs met Israelis: Identity Formation and the Securitization of "Other"

With an evolutionary model of identity formation Alexander Wendt suggests an *interactionist* model of the social processes, which focuses on how identities and interests are constructed at the unit (state) level, and are winnowed at the macro (international) and population level. Within this context, it is argued that identities and corresponding interests are learned in response to how they are treated by significant others (1999, 325-27). For example, if the other treats the self as if it was a friend, the self has the possibility to internalize this belief in its own identity *vis-à-vis* the other or vice versa.

As Wendt (1999, 332) stated, "the most important thing in social life is how actors present self and other. These representations are the starting point for interaction, and the medium by which they determine who they are, what they want, and how they should behave." Self's ideas about other are not just passive perceptions of something independent of self. On the contrary they are actively constitutive of other's role *vis-à-vis* self. It is the same for the self's own role identity² *vis-à-vis* other, which is a function of self's beliefs about the other's belief about the self (Wendt 1999, 335). Through repeated interaction, self and other identify themselves with each other negatively or positively.

According to Wendt, identification with "other" is like a continuum from negative, conceiving the other as anathema to the self, to positive, conceiving the other as an extension of the self. At the negative end of the continuum can be found the neo-realist claim that states define their interests in terms of relative gains. Wendt argues that in the absence of positive identification, interests will be defined regardless of other. In this case security interdependence between self and other will be "enmity."

² Role-identities are the meanings that actors attribute to themselves when seeing themselves as an object, from the perspective of the other.

On the other hand, at the positive end of the continuum lies the neo-liberal claim based on absolute gains. In this case security interdependence between self and other will be “amity” (Wendt 1994, 386).

According to Wendt, the intersubjective basis of social identities can be cooperative or conflictual. In order to understand why some learning creates egoistic identities whilst others create collective ones, it is necessary to look at the actors’ representational baggage. Based on the representations of self and other, a “definition of situation” is constructed by both self and other. However, Wendt’s model is unable to explain how representations and respective “definitions of situation” are constructed. In this sense, according to the proposed theoretical framework, Buzan’s and Wæver’s concept of the securitization/desecuritization processes complements Wendt’s model.

Generally, enmity will tend to foster securitization, and amity will tend to foster desecuritization. Securitization refers to “the discursive process through which an intersubjective understanding is constructed within a political community to treat something as an existential threat to a valued referent object, and to enable a call for urgent and exceptional measures to deal with the threat” (Buzan and Wæver 2003, 491). While the process of threat construction is called securitization, the other end of the process is called desecuritization, which refers to “a process in which a political community downgrades or ceases to treat something as an existential threat to a valued referent object, and reduces or stops calling for exceptional measures to deal with the threat” (Buzan and Wæver 2003, 489). If an issue is posited as a threat by the securitizing actor to the survival of the referent object (in our case the survival of self), the question of survival necessarily involves a point of no return at which it will be too late to act, so it is not defensible to leave this issue to normal politics (Buzan and Wæver 2003, 71). Accordingly, the securitizing actor claims its right to use extraordinary means for reasons of security.

If the defense of “self” turns to be a security discourse, securitizing within the societal sector would bring the definition of “us” and “them” maintaining our identity as opposed to their identity. According to Williams, “a successful securitization of identity involves precisely the capacity to decide on the limits of a given identity, to oppose it to what it is not, to cast this as a relationship of threat or even enmity, and to have this decision or declaration accepted by the relevant group” (Williams 2003, 520).

The Middle East regional security complex was formed after the end of World War I, and coincided with the formation of the state system in the region. The region was mainly constituted of indigenous Arab tribes, which identified themselves either with tribal linkages or with a wider Arab identity. Any of these groups had limited consciousness in terms of national identity. The only people who were part of a well structured and militant national movement in the region were the Jews, who were migrating into the region within the context of the Zionist program which claimed the Jewish people’s right to establish a homeland in Palestine. During the first half of the 20th century in the Middle East Arab nationalism was the most powerful ideology. The combination of imported ideas of nationalism from the West, changes in social structure because of an expanding world economy, and primarily the mandate system and Zionism following World War I caused Arab leaders and

masses to consider their relationship to one another and to develop an Arab identity and loyalty (Barnett 2005, 413).

As a result of the decisive and dramatic Jewish movement into the region, the Arabs were angered and frightened by the possibility of the establishment of a Jewish State alongside the Arab community. These first encounters constituted the seeds of the historical clashes which intensified and became institutionalized with the establishment of the Israeli State. From the beginning, the Zionist plan for a Jewish homeland alongside indigenous Arab societies was perceived as a threat to Arab identity in the region. The state of Israel has been considered by the Arabs to be the occupier of their Holy Lands in spite of the Zionist claim of their ancestral right to be in Palestinian land.

As the best strategy to defend threatened identities is to strengthen the existing identities, one of the likely responses to such threats is to underline the current methods and practices to ensure the expression and continuity of group identity (Wæver 1993, 68). In the Arab–Israeli case, the existence of the State of Israel has served as glue for pan-Arab movements. Consequently, Arab nationalism has been developed *vis-à-vis* Israel as a negative other, a dangerous enemy of Arabs. Within this context, in 1945 the Arab League was established by regional Arab states among others to show their determination to “collectively put their weight behind the basic demands of Palestine’s Arabs...” against Israel (Morris 1991, 173). Jewish immigration into the region was defined as a “mass alien infiltration” by Arab League leaders. In a very short time the existence of Israel as the “other” was securitized by the Arab regimes of the region: “Israel, with the Zionist program in her basic policy, is dedicated to aggression, and pledged to expansion. In fact, the establishment of Israel was the culmination of aggression and expansion” (Shukairy 1961). In order to eliminate the threat to the Arab self, the day after the state of Israel was proclaimed six Arab League members attacked the State of Israel. They explicitly stated that the destruction of the newly-formed Jewish state was their goal. This was the first Arab–Israel war in the region, and it was the first major sign of the inclusion/exclusion frames which have been developed between Arabs and Israelis in the region.

In spite of the Armistice Agreements (1949), the Arab states did not recognize the State of Israel. They were still determined to eliminate the threat of the State of Israel, and pursued hostile policies towards Israel which, alongside Israeli expansionism fuelled by a strong ethno-nationalist drive, have resulted in the consecutive wars with Israel. Arab leaders had to contend with domestic public opinions that are still quite hostile to normalization of ties with Israel. The establishment of the state of Israel is in the Arab World still widely viewed as a late colonial imposition, and as an agent of imperialism. This is an important “cognitive fact” with which successive Arab leaders have had to deal.

In this respect, the leaders of the eight Arab countries issued the Khartoum Declaration (1967) that is known as “the Three Nos”: no peace with Israel, no recognition of Israel, and no negotiations with Israel.

As a result of the hostile characteristics of their interactions, both Arabs and Israelis have developed egoistic conceptions through learning. Therefore, the identification with the other has been negative, both Arabs and Israelis have conceived the other as

an anathema to the self. Thus, they have entrapped themselves in a vicious cycle. The actions of the Israelis have reinforced the Arab view of Israelis, which have resulted in the Arab perception of the threat to their survival, and consequently led to their further actions against the Israelis. On the other hand, the discourses and actions of the Arabs and the *fedayeen* groups have served to reinforce the Israeli perception of Arabs, resulting in an Israeli perception of threat to their communal and national existence. Thus, this perception of threat has led to Israeli actions, which the Arabs try to prevent by posing further threats to the existence of Israel.

The negative image of Israel has been used as a means for policy both by Arab governments, and vision-driven groups like Hezbollah, Hamas and Islamic Jihad. These groups have legitimized their existence by referring to the Israeli threat to Arab identity, and the ongoing occupation of Palestinian territories. On the other hand, successive Israeli governments labeled these *fedayeen* groups as terrorist organizations.

For a long time both sides posited the “other” as a threat to the survival of “self”, and in order to protect themselves both sides have used all possible means. Since it was a question of survival, the securitizing actors have claimed their right to use extraordinary means to protect the survival of their societies: Arab *fedayeen* groups’ attacks on Israeli settlements, bomb attacks in major Israeli cities, and in return Israel’s military intervention into neighboring territories, the destruction of Arab settlements and targeted killings.

Different Cultures of Anarchy and the Regional Security Constellation: The Hybrid Case of the Middle East

Primarily, Alexander Wendt shows the intrinsic relations between state identities, interests and collective identity formation. Considering self/other relations in international relation notions of security “differ in the extent to which and the manner in which the self is identified cognitively with the other ... it is upon this cognitive variation that the meaning of anarchy ... depends” (Wendt 1992, 399). Security conceptions depend on the identification of self with the other negatively or positively. Thus, the culture of anarchy depends on how identities are defined within anarchy.

Wendt argues that the dominant roles—enemy, friend or rival—in the system assign a particular social structure to the system (Wendt 1999, 247). Within this context, historical hatreds and friendships trigger conflicts or cooperation and take part in the overall constellation of fears, threats and friendships. In accordance to the quality of security interdependence among actors, the dominant culture of anarchy varies from Hobbesian to Lockean to Kantian.

As security conceptions depend on the identification of self with the other negatively or positively “by repeatedly engaging in practices that ignore each other’s needs, or practices of power politics ... will create and internalize the shared knowledge that they are enemies, locking in a Hobbesian structure” (Wendt 1999, 332). Thus, in the case of Hobbesian anarchy, the dominant role is the enemy, which may lead to the use of violence between self and other. This is the kind of violence found in nature. As stated by Wendt, the representation of other as enemy tends

to have four foreign policy implications. First of all states will try to destroy or conquer their enemies. Second, decision-making will tend to discount the worst case for the future. Negative possibilities will dominate thus reducing the likelihood of a response to any cooperative move offered by the enemy. Third, relative military capabilities will be seen as the most significant asset. Power is considered as the key to survival. Finally, in the actual war case, enemies will observe no limits on their own violence unless it is clear that self-limitation is safe. Therefore, it is normal to assume that within Hobbesian anarchy, the regional security constellation will be “conflict formation.” In conflict formation situations security interdependence is shaped by fear, rivalry and mutual perceptions of threat. Regional actors do not recognize the right of each other to exist as free subjects, and seek to revise each other’s life or liberty.

In Lockean anarchies the dominant role that has been cast by self through their interactions is “rivalry.” Like enemies, rivals are constituted by representations about self and other with respect to violence, but these representations are less threatening. In Lockean anarchies the “kill or be killed” logic is replaced by the “live and let live” logic. Both self and other accept each other’s enjoyment of certain rights like sovereignty and the right to exist (Wendt 1999, 280). In Lockean anarchies realist “worst-caseism” happens rarely as a result of the other states’ recognition of ones’ sovereignty. This gives a state the space to make another choice, to reciprocate, which paves the way for security regimes. In Lockean anarchies, regional actors still see each other as potential threats, but they seek to resolve security problems by establishing security regimes.

The Kantian culture is based on a role structure of friendship, within which states expect each other to observe two rules, namely non-violence and mutual aid (Wendt 1999, 299). These two rules of Kantian anarchies are associated with “pluralistic security communities” and “collective security,” which pave the way for a security constellation of the security community.

As far as the Middle East is concerned, as a result of the existence of the dangerous other in the region, the formation of an all-embracing collective identity (security regimes and/or security communities) has not been properly realized. Instead, two cultures of anarchy have developed at the same time. On the one hand a Lockean anarchy has been established among the Arab states of the region, and a Hobbesian anarchy has been established between the Arabs and Israel. By repeatedly engaging in practices that ignore each other’s needs, the shared knowledge that they are enemies has been created and internalized. Thus, Israel and the Arab states have been locked in a Hobbesian structure.

While Arab states have recognized each other’s sovereignty rights within their own Lockean anarchy, they have rejected for a very long time any recognition of the existence of the State of Israel: “Politically, economically, and socially it is impossible for Israel to fit in within the pattern of the Middle East ... The Arabs states did not and will not recognize Israel” (Shukairy 1961). Common Arab identity encouraged Arab states to organize themselves somewhere between sovereignty and unification since their security was interdependent. But this interdependence has not paved the way for either a security regime or a security community among Arabs. The existence of Israel has been quoted as the main reason for the instability

of the region. Throughout the development of the Lockean anarchy among Arab states, regimes have gained power and legitimacy when they have stayed loyal to accepted Arab goals, and lost credibility when they have appeared to stray outside the Arab consensus (Walt 1987, 149). Arab leaders who collaborate with West or with Israel have been labeled as the “lackeys of imperialism” or “servants of the imperial powers” by other Arab states throughout the 1950s and 1960s.

Particularly after the military defeat of the Arabs in the Six-Day War (1967), and the failure of Arab unity projects, pan-Arabism has declined, and national identities and national interests have come before Arab nationalism. Hence, Arab politics became more pragmatic and less ideological. In this new atmosphere of particularism, individual Arab states started to put their own identities and interests before collective Arab identity and interests. This new climate was exemplified by Egypt when it signed the peace accord with Israel after the Yom Kippur war (1973), which posed an ultimately fateful challenge to the Khartoum Summit’s “three Nos.” Egypt’s decision was considered as a betrayal of the Arab cause. With this move, Egypt withdrew from the anti-Israeli coalition at the expense of tensions with its Arab brethren. Since Arab collective identity has been expected to enhance Arab regional solidarity, particularly on the issues of common Arab concern like the Palestinian conflict, Egypt’s decision resulted in its suspension from the Arab League, which was a serious crack in the Arab Lockean anarchy. Since Egypt’s move towards normalization of its relationship with Israel, Arab states have reluctantly been moving towards state-based foreign policies with less concern for the opinion of their fellow Arabs. But still these policies have never meant that Egypt has embraced Israel. Two decades after Egypt’s decision to make peace with Israel their action was followed by Jordan and the PLO. Both Jordan and the PLO signed peace agreements with Israel within the context of the Peace Process in the 1990s. Egypt was particularly active in supporting the efforts for a comprehensive peace in the region. The Israel–PLO and Israel–Jordan accords came under strong Syrian criticism. Syria did not officially condemn Jordan and the PLO, but criticized them for recognizing Israel.

In sum, Arabs’ negative identification of Israel has paved the way for conflict formation in the Middle East. The securitization of Israel as a threat to Arab identity has prevented any all-embracing regional security formation.³ In the region, rare examples of “one-shot” agreements between Arabs and Israelis have not been facilitated by a region-wide security regime as a result of Israel’s identification as “enemy of Arabs.” Moreover, the securitization of Israel has also prevented Arabs from forming security regimes in the region as a result of which pairs of Arab states (Syria and Lebanon, Jordan and the Palestinian Authority, Egypt and Jordan and so on) have made their calculations for primacy in relations with Israel.

3 See the chapter by Gariup in this volume for a different argument.

From Conflict Formation to Security Regime: Is Transformation Possible in the Middle East Regional Security Constellation?

Considering the theoretical framework of analysis suggested in the second section, any possible leap forward from securitization of “other” would bring the possibility of change in the regional security constellation. That is to say, when regional actors seek to resolve security problems through the formation of security regimes a change occurs in the culture of anarchy. This paves the way for a comprehensive Lockean anarchy, which is prone to a more constructive security constellation than conflict formation.

In Wendt’s model, once created, identities and respective cultures of anarchy are not easily transformed, since the social system is considered a fact by actors, who prefer to maintain stable identities (Wendt 1992, 411). In that sense, Wendt’s model is criticized by others as making little sense of what exactly happens when identities are considered to be “relatively stable” (Zehfuss 2001, 326). Wendt’s model makes it difficult to analyze identity transformation as a discursive process. I suggest that we can understand the prospect for the transformation of identity through normalization/desecuritization processes, and respective transformation in the security constellation.

In Buzan’s and Wæver’s theory, securitized issues can be managed or transformed. However, there exists a distinction between the management of securitized issues and desecuritization. The management of securitized issues may bring with it the notion of normalizing the situation. But the challenge lies in transforming securitized issues; the shifting of an issue from something that is “security” to something that is “a-security”.⁴

As far as the question as to how to desecuritize is concerned, Andrea Oelsner claims that “the sequence security → desecuritization → a-security constitutes the domestic transformation of intersubjective perceptions of threat, whose external complementation is often the sequence fragile/unstable peace → cold peace → positive peace (stable peace), which refers to a bilateral relationship” (Oelsner 2005, 6). Thus, Oelsner identifies two stages in the desecuritization process: the first phase is about peace stabilization and the first few steps towards domestic desecuritization, and the second phase involves peace consolidation, the expansion of mutual desecuritization, and the growth of mutual trust. The first stage opens the door to a different type of relationship between former antagonists. If the initial changes continue to develop in a positive manner, they will facilitate the advance to the second stage of the process, the one involving a redefinition of the relationship. It is this latter phase that leads to more durable changes, which in turn will result in a consolidated type of peace and a domestic situation dominated by a sense of a-security (Oelsner 2005, 21). To redefine the relationship implies the simultaneous re-evaluation of the vision one has both of the other and of the self. According to Kacowicz and Bar-Siman-Tov (2000, 24-5), this complex learning process “requires

4 In the case of desecuritization, we have neither security nor insecurity. In as far as the situation is taken out of the realm of security conceptualization, the situation might be described as one of a-security” (Weaver 1998, 81).

a redefinition or re-evaluation of the parties' national interests, so that each party will perceive a mutual interest in establishing and maintaining the peace between them as the most important factor in assuring each other's security and even existence."

In general, trust plays a crucial role in the move from security to a-security. Thus, the development of mutual confidence is the key to understanding the process of desecuritization. The presence of a system of mutual accountability through confidence and security-building measures (CSBMs) can be indicative of desecuritization. Common institutions, high levels of interdependence, compatible domestic regimes and the withdrawal or absence of troops on common borders points to the existence of trust, and thus contributes to an a-security community.

In the Middle East, the only way for the creation of a region-wide security regime lies in the realization of a "comprehensive peace" that would include all Arabs and Israel. However, a transformation from conflict to stable peace requires radical changes in the mindsets. That is to say, the domestic transformation of intersubjective perceptions of threat is needed. Israeli-Arab relations provide an interesting case for analyzing the possibility of transformation in the regional security constellation. In the Middle East two parallel discursive processes have occurred simultaneously throughout the time of the Oslo Process. On the one hand there existed an ongoing securitization process, which has been shaped by military and political elites, particularly by *fedayeen* groups such as Hezbollah, Hamas and Islamic Jihad, which put their pressure on respective societies and governments to prevent reconciliation with Israel. On the Israeli side, radical settlers share the same purpose. On the other hand, there existed a desecuritization process which had been initiated by so called track two-intermediaries. The Declaration of Principles (1993) was followed by mutual recognition and new cooperation schemes in major areas like banking, water, tourism, security and infrastructure between Israel and its Arab neighbors. Accordingly, Israel's standing in the region improved. Following in the footsteps of Nelson Mandela's following quotation "To make peace with an enemy, one must work with that enemy, and the enemy becomes your partner," (Mandela 1994, 612) intermediaries from both sides have initiated a desecuritization process, which was embodied in joint projects such as water management, peace education and industrial parks. It was believed that these joint projects would pave the way for more extensive confidence building measures between Arabs and Israelis. Particularly "peace education" projects were to play an extremely important role in generational change in re-definition and re-evaluation of parties.

Even though the positive atmosphere of the peace process period changed dramatically with the outbreak of the al-Aqsa intifada, recently the Gaza disengagement (2005), like the Declaration of Principle, paved the way to cautious optimism of some analysts regarding a comprehensive regional security regime. In the post-disengagement period attitudes toward the long-standing Arab economic boycott of Israel have changed. At the diplomatic level representatives of Arab states declared their intentions to meet with their Israeli counterparts, trade relations between particular Arab states and Israel have revived, and most importantly Arab states have started to talk about the need to invite Israel and the Palestinian Authority to the negotiation table again. The revival of the Abdullah plan, first proposed at the Beirut summit of 2002, is another hopeful sign. As the Palestine issue still stands as

the most crucial of all unresolved issues in the international relations of the region, Arab countries slowly came to terms with the fact that not dealing diplomatically with Israel will not contribute to a just solution of the Palestinian issue. It was accepted by the majority of Arab actors of the region that establishing relations, however informal, with Israel is the admissions ticket to productive involvement in resolving the Israeli–Palestinian conflict. However, the relative calm period between Arabs and Israelis was broken by the Al-Aqsa Intifada following Sharon’s visit to the Temple Mount. The recent Hamas victory in Palestinian elections and the new political situation in Israel after the departure of Ariel Sharon from the political scene further worsened the situation. The provocations of *fedayeen* groups met with Israel’s aggressive interventions in the Gaza Strip and Lebanon. Israel’s latest Lebanon war dramatically changed optimistic Arab stands *vis-à-vis* Israel, and caused Arab states to view warily the possibility of a comprehensive regional security regime in spite of their diplomatic overtures.

Conclusion: Regionalism and Securitization

In this chapter, the absence of regionalism in the Middle East regional security complex was analyzed. It was argued that a synthesis of Alexander Wendt’s identity formation theory and Barry Buzan and Ole Wæver’s securitization theory can be a very useful analytical tool in understanding regionalism. As was shown in the chapter, the outcome (security constellation) within a regional security complex is constructed through interactions among actors, which end up identifying with the “other” negatively or positively. The negative identification with the “other” paves the way to securitization processes within which the other is securitized as a threat to self’s survival. Thus, actors within the security complex justify their right to use extraordinary means for reasons of security, which leads to the construction of Hobbesian anarchy and the conflict formation type of security constellation that is prevalent in the Middle East.

According to the suggested theoretical model, the transformation of collective identification through normalization/desecuritization processes is possible. However, the Middle East case proved that this kind of transformation, particularly in conflict formation constellations, is not an easy process since it requires a radical transformation of mindsets. In spite of the regional and international attempts to promote cooperative elements of Israeli–Arab relations, neither the sequence security → desecuritization → a-security nor the domestic transformation of intersubjective perceptions of threat, which leads the sequence fragile/unstable peace → cold peace → positive peace (stable peace) have been realized in the region. But overall, the existence of desecuritizing attempts of non-state actors parallel to on-going securitization processes give the international community hope for the prospects of a transformation from conflict formation in the long run.

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Part 2

Case Studies

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Chapter 6

Did the GCC Make a Difference? Institutional Realities and (Un)Intended Consequences

Matteo Legrenzi

We have not yet set up a unified military force that deters enemies and supports friends. We have not reached a common market, nor formulated a unified political position on political crises...objectivity and frankness require us to declare that all that has been achieved is too little and it reminds us of the bigger part that has yet to be accomplished...We are still moving at a slow pace that does not conform with the modern one.

Crown Prince Abdullah of Saudi Arabia, 30 December 2001.

Introduction¹

Since its inception the Cooperation Council for the Arab States of the Gulf (GCC) has been largely ignored by scholars of international relations. The few who dedicated more than a passing remark to the organization have been quick to point out the fairly clear shortcomings of the regional grouping. Indeed, from an institutional point of view, few of the many promises have been fulfilled by the six member states. Much remains to be done both in the political and the economic field. However, I will contend that what was conceived as a pact between rulers evolved into an entity that contributed to transform Gulf politics in several ways.

From the point of view of the rulers the propounding of a separate “Arabian,” as opposed to Arab, identity served to draw a conceptual boundary *vis-à-vis* the rest of the Arab World. In other words, the appeal to regional identity helped to constitute boundaries of inclusion and exclusion that reinforced the notion of the six GCC countries as status quo states in a region characterized by the activity of a number of revisionist powers. The establishment of the GCC itself had been carefully portrayed by Gulf officials as a step in the direction of Arab unity. Since the Kuwait war, however, Gulf leaders have been far more energetic in their assertion of a separate Gulf identity, and in stating their need to find solutions to specific sub-regional problems by looking for support from non-Arab actors. I argue that from the start

¹ An earlier version of this chapter appeared as a EUI Robert Schuman Center for Advanced Studies Working Paper. It is based on extensive interviews with key Gulf decision-makers as well as GCC documentation. For a more extensive treatment of the topic see Legrenzi (forthcoming).

the establishment of the GCC had been meant as an exercise of “identity diplomacy.” This is demonstrated by the timing of the founding that allowed the exclusion of Iraq, a country that had previously insisted on being included in any kind of Gulf-wide regional grouping.

Subsequently, from the point of view of decision-makers and professionals, the GCC helped to make the Gulf relevant as a category in knowledge systems. This process has facilitated the tendency to generalize about conditions or peoples within the sub-regional boundaries, for example by speaking of Gulf business as opposed to Arab business.

Finally, professional syndicates and public intellectuals started to meet on a GCC basis spurring wider pan-Arab fora. Within these fora constitutional and political issues are discussed more freely than in some of the constituent states. Many professionals and public intellectuals saw the GCC as a possible venue through which wider forms of participation could spread to member countries. Whereas I am quite skeptical about this happening (GCC bureaucrats see themselves very much as functionaries of the member states) it is true that the GCC is now seen as a distinct political space, and that many Gulf citizens associate it with positive notions of citizenship and participation. This poses a dilemma for the ruling families who like to promote the GCC as a new sub-regional public space, but simultaneously are wary of possible criticism emanating from GCC-wide fora.

In the future it will be interesting to examine what is the impact of the inclusion of Yemen in several GCC committees. The inclusion of a non-dynastic regime may seem *prima facie* a welcome development for the GCC. However, full membership would probably have adverse effects within an organization whose decision-making is now characterized by informal procedures and constant negotiation between like-minded officials. More speculatively, it will be interesting to see if a post-Saddam Iraq will renew its efforts to be included in sub-regional groupings such as the GCC.

Institutional Realities and (Un)Intended Consequences in the Security and Economic Fields

Both in the field of security and in the realm of economic cooperation and integration the objectives of the GCC differ sharply from the actual achievements. Senior officials admit that the series of unfulfilled promises and declaratory announcements damaged the credibility of the organization.² It is my contention that the modest achievements in the field of defense integration stem from a realization that it will always prove impossible to achieve security independence *vis-à-vis* other regional powers. This leads GCC states to utilize arms procurement as a foreign policy tool. The acquisition of a disparate array of military hardware and software prevents interoperability of weapons system, one of the first necessary steps in the direction of defense collaboration and integration.

2 Author’s interviews with Abdullah Ibrahim Al-Kuwaiz, London, 16 November 1998, and with Abdullah Yacoub Bishara, Kuwait, 17 November 2000.

In the economic sphere the situation is more nuanced. The achievements on the part of the member states in coordinating, let alone integrating their economic policies have been meager. However, we witness a flourishing of business and professional regionalization. In other words, the vibrancy in the field of transnational economic civil society is not matched by the governments of the member states.

Defense Integration: A Real Priority?

In the realm of defense, cooperation and coordination are limited. This in spite of the formation of a token collective rapid deployment force by the name of Peninsula Shield,³ and numerous joint maneuvers by the armed forces of the six member states. The reasons for this lack of integration are complex. The armed forces of the six member states will always be inherently weak *vis-à-vis* the two regional powers, Iran and Iraq. The six states will always lack the necessary manpower. It is no wonder that census statistics are treated with the outmost confidentiality. If they were made public they would probably reveal that the number of foreign workers is even higher than is believed today (over 50 per cent of residents in states such as the UAE and Saudi Arabia, slightly less in the other four states). Additionally, it is unlikely that many citizens of these rentier states⁴ will rush to enlist in a well-disciplined, fully functional modern army.

The prospect of armies fully staffed by mercenaries, and without members of the royal families in key positions of responsibility is very sensitive for rulers of the Arabian peninsula. In spite of a long tradition of utilizing foreign personnel for technical posts and, in the case of the UAE, even in fighting positions, Gulf rulers remain wary of the role armies can play in their societies. They are well aware that monarchical regimes in the Arab Middle East have often been toppled by army coups in the last forty years. Additionally, they worry about the presence of large contingents from other Arab countries on their territories. They know that in the past arrangements of this kind have spelled trouble for the hosting countries and, as in the case of the Syrian presence in Lebanon, they have often become a permanent feature on the political scene. Such worries go a long way towards explaining why agreements such as the Damascus declaration⁵ did not produce the desired results, and why GCC rulers prefer the presence of British and American troops to the establishment of a regional

3 The former Secretary General of the organization Abdullah Bishara acknowledged that the Saudi-based force was “symbolic” in nature (see Peterson 1987, 197).

4 For the concept of rentier state and rentier society see the excellent contributions by Giacomo Luciani and Hazem Beblawi (1990).

5 In March 1991, the six GCC nations, Egypt and Syria formulated the “Damascus Declaration” that announced plans to establish a regional peace-keeping force. A few months later, Egypt and Syria announced the withdrawal from the project citing disagreements over the size of their forces to be stationed by the two states on the Arabian peninsula, and the amount of money that they were to receive for such a service. Since then, from time to time, the parties to the declaration have reaffirmed the willingness to provide each other with mutual military support if needed, but no Egyptian or Syrian contingent has been dispatched to the Gulf, let alone a joint force been established.

peace-keeping force. This in spite of the friction that a non-Muslim military presence on the Arabian peninsula has provoked, particularly for the government of Saudi Arabia. GCC leaders clearly pride themselves in ruling the only revolution-free part of Eurasia in the last seventy years. Internal stability is clearly preferred to the prospect of maximizing the fighting capability of the armed forces.

Finally, one area in which integration would make a lot of military sense but is politically unpalatable is arms procurement. The six member states spend on weapons around 37 per cent of the developing world total (Cordesman 1997, 6). However, efforts at standardization, which have been endorsed by the GCC since 1982, have so far yielded meager results. The US reluctance to make available certain high-technology items sold to Saudi Arabia to smaller GCC states also, as well as the fear of coming to rely exclusively on the United States for arms supplies are often cited as reasons by GCC officials (Achaya 1991, 21). However, the most important reason for the lack of a unified procurements policy remains the six states' diplomatic strategy of involving as many influential countries as possible in support of their defense, including China and Russia. GCC states continue to prefer utilizing arms procurement as a tool of foreign policy, a sort of "insurance policy" aimed at securing the support of the external powers, chiefly the United States of America, in case of a threat from the two regional powers. Arms procurement complements and integrates a strategy of carefully balanced foreign investments aimed at forging interdependence with external powers. This strategy serves also important domestic purposes in terms of patronage and consensus building. The management of individual arms procurement programs is often assigned to members of the royal families and their key allies. The lucrative commissions derived from these contracts serve as rewards for services rendered to the rulers. Such a strategy, it must be added, proved its worth at the time of the Gulf conflict of 1990–91, and gives GCC rulers a powerful tool in the conduct of both foreign and domestic policies. It is therefore unlikely to be modified anytime soon (Legrenzi forthcoming).

In the sphere of internal security, integration is more advanced. It builds on informal patterns of behavior predating the establishment of the organization. From the beginning member states cooperated extensively in a field where they perceive to be sharing similar threats and goals. Therefore, GCC states have achieved a good record in coordinating and sometimes unifying the responses of member states to internal threats. This coordination, however, proceeds at a bilateral level. The issue is considered too sensitive to be left to the technocrats of the GCC Secretariat. A good achievement is the linking of the computer systems that trace the presence of expatriates in the six member states. This allows the member states to have a clear idea of the movements of all foreign nationals within the six member states.

In sum, the GCC as an organization has little to offer in the spheres of external and internal security. External security is ultimately guaranteed by a superpower patron, the United States of America. Internal security is too sensitive an issue.⁶ The

6 For example, I asked a senior Saudi Prince to tell me what his thoughts were about the organization. He replied "The GCC? You will have to tell me because I do not know anything about it." He then went on to emphasize how little interaction all the high ranking offices he had held had with the organization (Author's interview, Oxford, November 2003).

GCC proves useful as a forum for consultation and coordination between decision-makers of member states, but the lack of supranational powers on the part of the Secretariat is felt keenly in the spheres of internal and external security. From a conceptual point of view these are the spheres that are associated most closely with notions of sovereignty. Furthermore, military security is seen as a prerequisite of regime security. It is worth noting that even in the UAE, a working federation, military forces have not been fully integrated and Dubai and Abu Dhabi maintain separate defense establishments. The issue of defense integration remains a very sensitive one in other regions of the world with strong regionalist traditions. It is therefore unreasonable to expect too much on this front in the Gulf region, where a difficult equilibrium between the personalization of power, and the substantiation of sovereignty still has to be reached. In all GCC countries, with the possible exception of Kuwait, it is still very difficult to distinguish between ruling family and state interests. The state is of course constituted by a wide and articulated bureaucracy, but the ruling families painstakingly mar the distinction between regime and state. This interlacing is rightly seen by rulers as a guarantee of regime survival. Constitutionalism in GCC countries, again with the possible exception of Kuwait, is not interpreted as a way to devolve power to the population but as a means to shore up the legitimacy of current ruler (Al-Fahad 2005).

Economic Regionalism and Civic Regionalization

Convergence and integration become altogether more interesting when it comes to economic regionalism and civic regionalization. In this case, the institutional efforts have yielded modest results, and we actually have a situation of burgeoning transnational cooperation in the professional and business fields. It is my contention that we owe this wealth of transnational business and professional activity in part to the establishment of the Gulf Cooperation Council, as well as to previous collaborative experiments among the Arab monarchies of the Gulf. It is appropriate to start by affirming an important distinction between economic regionalism as a *conscious policy* of GCC states to coordinate and integrate their economic policies and economic, professional and civic regionalization as the *outcome* of such policies or of “natural” economic forces (Wyatt-Walter 1995, 77).⁷ In particular, I contend that while GCC steps to further economic integration fall well short of projected aims, a bright spot is represented by the civic organizations that have decided to organize themselves on a gulf-wide basis. Even more significantly, professional organizations, while still constituted on a national basis, meet regularly at the GCC level. Opportunities to do business at the Gulf level have improved dramatically since the creation of the GCC. The aim of creating “economic citizenship,” in accordance to Article 4 of the GCC Charter, is one of the few goals that have come close to being fully realized. Visa requirements for GCC citizens were scrapped with effect from 1 March 1983. Around the same time the ownership rules for companies have been

⁷ Wyatt-Walter, though, distinguishes solely between conscious economic policies and economic outcomes, whereas I am more interested in noting the burgeoning ties between professional organizations and NGOs in the six GCC states.

relaxed for GCC citizens well in advance of WTO requirements. This is the case even in Saudi Arabia, the most shielded of the six economies. It can therefore be said that the fact that professional organizations closely coordinate and meet on a Gulf basis is partially the result of GCC policies. It is a lot easier today for professionals and businessmen who are citizens of member states to move around and do business within the GCC.

However, even this positive assessment ignores the genuine enthusiasm of professionals and technocrats throughout the Gulf, who often look at the GCC as a tool to nudge their respective national governments in the direction of greater economic and political liberalization. The GCC is often seen by restive American-educated technocrats as a possible vehicle for innovation in business practices and transparency. This expectation may be unrealistic given that GCC bodies do not have supranational powers, and their decision-making procedures generally reflect those of the six national governments in their opaque and informal nature. Positive decisions like the ones regarding visas and company laws still have to be implemented by the national bureaucracies of the single states (Legrenzi forthcoming).

Civic enthusiasm for enhanced integration is further testament to the ways in which subregional bodies are seen as something “good” in today’s world, in spite of the actual achievements of these organizations. In the Gulf context, this means that GCC governments are keen to promote the GCC as a regional body because this highlights their role as positive “global citizens” who are willing to engage in regional cooperation. It also helps to draw a conceptual boundary between themselves and other states in the region such as Iran or Syria, who are seen on the global stage as “revisionist” and uncooperative. This exercise in “identity” diplomacy does not need to be correlated to actual achievements. In fact, when economic and security convergence starts to affect powerful domestic constituencies the process usually stalls. Yet, it would be wrong to dismiss the process as irrelevant. The rhetoric of regionalism and the frequent contacts between decision-makers foster an environment in which regionalization at the level of business and civic society can proceed at an increasingly faster pace.

A further, more daring, instance of the regionalization of civic society in the Gulf is the large number of NGOs that have been organized on a sub-regional basis. This trend started even before the establishment of the GCC. A prominent example is the “Development Forum,” an organization of professionals, bureaucrats and academics. These often American-educated technocrats came together in 1979, two years before the establishment of the GCC. Initially, members hailed from five of the six GCC countries with the exclusion of Oman. Later, a few Omani members joined, and now the organization has members from all six GCC countries. The membership of around one hundred influential professionals meets once a year for a conference whose proceedings are published as a book. During the first decade of the organization’s existence they focused on two major issues that affected their respective countries. These were the issues of economic development, and the management of resources. They considered development in the Gulf to be very lopsided and distorted. Therefore, the forum started by considering how best to deal with the management of large public projects, and how to promote a more balanced

exploitation of resources.⁸ Gradually, members started addressing more delicate themes such as economic and political liberalization in their annual symposia.

Abdulaziz Sultan, an architect who holds a doctorate from Harvard University, is representative of the new breed of Gulf technocrats who resent the lack of transparency and the “cliquey” nature of regional business practices. They see economic liberalization as a necessary precursor to political liberalization. It is not a coincidence that, in addition to his role as coordinator of the Development Forum, Abdulaziz Sultan serves as the leader of the Kuwait National Democratic movement. He is aware that many economic problems can be tackled only at the regional level. Interestingly, he adds to the usual reasons that are quoted in the literature as impeding GCC economic coordination and integration the fact that GCC economic integration has been hampered by the different levels of democratization that characterize member countries. He sees democratic change and the harmonization of political systems as key issues not only in political terms, but even to foster economic integration.

In effect, the issues of economic and political integration cannot be categorically distinguished. On many occasions, steps on the road to economic integration have been held hostage to political disputes. The fact that a wide range of professional organizations, economic officials and NGOs now meet on a GCC basis is a good sign. Thus, best practice is spread around the Gulf, and there is increased space for business deals to take place across the borders of member states. This remains significant despite the lack of progress in economic integration among GCC member states.

Measures of Economic Integration

In order to gauge the state of GCC economic cooperation and integration, it is useful to refer to the classic work on the subject by Bela Balassa, which is the analysis that GCC officials themselves use as a reference.⁹ Balassa distinguishes five sequential degrees of economic integration from free trade area to customs union, to common market, to economic union, and finally to complete economic integration (Balassa 1961). Balassa’s classification is meant to apply to all market economies, and it follows closely the blueprint for economic integration adopted by GCC countries. However, it should be noted that joint development efforts, both in the fields of infrastructure and manpower, as well as joint policies *vis-à-vis* expatriate workers are difficult to locate in Balassa’s classification. This point is often emphasized by GCC officials. They stress how the GCC member states all more or less trade in one line of production. In this context, free trade agreements turn out to be less important than when they are entered into by countries with diversified, sustainable economies.

⁸ Interview with Abdulaziz Sultan, Chairman Keo Consulting, Kuwait coordinator of the development forum and leader of the national democratic movement, Kuwait City, 13 November, 2000.

⁹ For articles by GCC officials utilizing this categorization see Bishara, 1983-1984, and Al-Kuwaiz, 1987, in addition to various issues of *Al-Taawun* [Cooperation], the journal of the GCC General Secretariat.

GCC states import virtually all their industrial and consumer goods, and a great part of their labor from outside the region.¹⁰ This argument, however, is contested by many economic analysts.

Hans Rieger, looking at ASEAN, stresses how complementarity grows in line with international specialization engendered by trade. Therefore, it should be the objective rather than the precondition for trade liberalization (Rieger 1991).¹¹ Once protectionism is reduced, there is certainly scope for broader international exchange. Given the pre-existing strengths and weaknesses of the six GCC countries, we can actually design a hypothetical scenario of the different economic activities in which GCC member states could further specialize by extrapolating current trends. Bahrain has always been the preeminent financial center in the Gulf. New transparency requirements imposed by the American “war on terror” are bound to decrease its competitive advantage *vis-à-vis* financial centers in Europe and America. This will happen because, as is the case with Switzerland, the traditional discretion that accompanies financial transactions in Bahrain is bound to come under close scrutiny. However, further GCC economic integration will contribute to maintain its edge over rival banking centers. Bahrain could also benefit from more business for its aluminum production plants and shipyards. Dubai, which has so far been the most successful in diversifying its economy, could further strengthen its commercial sector, as well as its trans-shipping business, and hopefully spread its proactive business agenda to the other Emirates. Kuwait represents a center for the refining industry, as well as a financial center, particularly since trade with Iraq has been reestablished fully, and for security reasons it has become the basis for many corporations that do business in that country. Saudi Arabia has an important role to play not only in the downstream manufacturing of petroleum products but also in basic industries such as cement and chemicals. This trend will be more pronounced after the pernicious subsidies to the agricultural sector have been removed, and some results from the much heralded but very slow process of the “saudization” of the workforce start to be achieved.¹² In this fashion product and process specialization within the GCC could lead to increased intra-industry trade (Koppers 1995, 75). In general, we can conclude that regional economic integration, when accompanied by other measures to deregulate local economies, would certainly benefit these GCC states.

Before reviewing the achievements of the GCC in the realm of economic integration, it is worth noting that within the GCC Secretariat, the Economic Affairs section is placed directly below the office of the Secretary General, and is of equal standing with the Political Affairs section (Dietl 1991, 212). This is meant to underline the importance of economic integration in the life of the GCC. The central importance of this is invariably mentioned in the final communiqués of the

10 Interview with Abdullah Ibrahim Al-Kuwaiz, London, Associate Secretary general for Economic Affairs, 16 November 1998; see also Al-Kuwaiz (1987).

11 For a similar line of argument see Koppers (1995, 74-77).

12 For a realistic assessment of the efforts at indigenization of the workforce in the six GCC states see Kapiszewski (2001, 69-87).

meetings of the Supreme Council of the GCC.¹³ It is important to emphasize that, much to the chagrin of the first Associate Secretary General for Economic Affairs, Abdullah Ibrahim Al-Kuwaiz, these departments, like other GCC offices, do not have supranational powers.¹⁴ Therefore, unlike the European Union Commissioners, all department officials can do is harangue member governments to accelerate the implementation of the various economic agreements. The fact that there is no mechanism for the Secretariat General to enforce the implementation of treaties is one of the many reasons why results in the field of economic integration have been so uneven.

Both the Charter of the GCC and its first Secretary General stress that unity is the “final objective” in the economic field, a lofty goal indeed (Bishara, 1983-84). In pursuit of this goal, a number of instruments have been ratified, and various decisions have been taken. By far the most significant, and indeed the cornerstone of all subsequent cooperation in the economic sphere, is the Unified Economic Agreement (UEA), which was approved in principle on 8 June 1981, less than three weeks after the adoption of the GCC Charter. It was then formally ratified by the GCC heads of states at their summit in November 1981 (Nakhleh 1986, 26). Economic cooperation among Gulf states precedes by many years the adoption of the UEA, and this instrument was meant also to broaden and rationalize the previous efforts at economic cooperation.

The UEA consists of a preamble and seven chapters, divided into a total of 28 articles (Nakhleh 1986, 27). The UEA is a very ambitious document that sets out clear objectives for the GCC in the economic field. It is worth reviewing some of its main provisions while simultaneously assessing what is the status of their implementation more than twenty years after the signing of the agreement.

Free Trade Area

The first three articles prescribe the creation of a free trade area, and describe the criteria by which a particular product should be considered of national origin. Article 3 states that for products of national origin to qualify as national products, the value added ensuing from their production in member states shall not be less than 40 per cent of their final value. In addition the share of the member states’ citizens in the ownership of the producing plant shall be no less than 51 per cent of the final value. This requirement has created quite a lot of controversy in the past, as the demand for a certificate of local origin has been criticized by some business people (Nakhleh 1986, 27). In practice, even if a standardized GCC form exists, a GCC committee has to confirm the decision that specific products of a specific firm are duty free within the GCC. Having to obtain a certificate of national origin became one of

13 The Economic sector is divided into several departments. 1) Economic and Social planning, 2) Industry, electricity, desalination and technology, 3) Research, 4) Commerce, 5) Public Works, Municipalities and Housing and 6) Petrol and Gas Department.

14 Interview with Abdullah Ibrahim Al-Kuwaiz, London, Associate Secretary general for Economic Affairs, 16 November 1998.

the countless non-tariff barriers that plague business life in the Gulf.¹⁵ Furthermore, some exemptions, allowed under Article 24 of the UEA on a temporary basis, still persist today, and there are some ambiguities with regards to the status of handicrafts and art.¹⁶ More importantly, products of national origin are still favored *vis-à-vis* products from other GCC states in government purchases and public contracts even if this is expressly ruled out by the UEA. Given the size of government spending in GCC states this is a significant issue. In spite of all these reservations, the creation of a Free Trade Area beginning in March 1983 is the main achievement of the GCC in the field of economic integration.

Customs Union

As a further step, Article 4 mandates the creation of a uniform tariff range within five years as a step towards establishing a customs union. A tariff range of between 4 per cent and 20 per cent was established as of 1 September 1983, more than four years earlier than stipulated in the UEA (Koppers 1995, 103). After this auspicious start, however, finalizing a customs union by agreeing on a single external tariff proved devilishly difficult. Furthermore, the repeated announcements that the establishment of the customs union was imminent did a lot to tarnish the credibility of the GCC in the economic field. Diplomats and EU officials came to mistrust the efficacy of the organization in spite of its achievements in other fields.¹⁷ More than twenty years after the signature of the agreement a customs union is still not completed. The saga confirms the significance of the lack of enforcement mechanisms on the part of the General Secretariat. This is in stark contrast with the European commission which has direct jurisdiction over issues of free trade and competition within the European Union. The European Union as far back as 1989 announced that the achievement of a GCC customs union would be a precondition for a free trade agreement with the EU. Such an agreement would open European markets to the products of the GCC petrochemical industries, by far the biggest industrial sector in the GCC states. The slow pace in forming a customs union was costly for the six member states.

At long last, the GCC countries decided at the December 2001 annual summit to advance the introduction of the internal GCC Customs Union by two years. A formula for a Common External Tariff was also agreed on: there were to be a limited number of duty-free items, and the majority of products would be subject to a five per cent duty. The common External Tariff was introduced and was to be fully in effect by January 2003. In a final twist, though, the full implementation was blocked yet again two weeks before the deadline.

15 For a recent review by the office of the US Trade Representative of the wide array of non-tariff barriers still facing businesses that want to operate within the GCC see GCC (2004).

16 For a complete list of the teething problems see Koppers (1995, 99-102), and recent issues of the *Middle East Economic Digest*.

17 Interviews conducted with foreign diplomats in Kuwait in 1999 and with EU officials in Brussels and South Korea in 2004.

Historically, the formation of a customs union has been particularly troublesome for these states. The rulers' relations with local merchants were the mainstay of the shaikhly regimes before the discovery of oil. Customs represented the main source of revenue for them, and an important source of patronage. The abolition of the right to set external tariffs is felt not only as a mayor abdication of sovereignty, but also as the weakening of the link to an extremely important constituency. One of the main factors behind the delay in establishing a customs union was the disagreement between the UAE, particularly Dubai, and Saudi Arabia on what the tariff level should be on most industrial goods. Saudi Arabia aimed at protecting its highly subsidized infant industries while Dubai did not want to jeopardize its role as an important commercial and trans-shipment hub. Furthermore, another major stumbling block was the difficulty in devising a mechanism to apportion tariff revenues among GCC member states.

The difficulty in reaching a customs union has been a thorn in the side of the GCC for a long time, and it has overshadowed the achievements of the organization in other fields. If we refer to Balassa's categorizations, we can see that this is only the second step in a five-step sequence leading to full economic integration. Current GCC plans to form a monetary union by 2005 and a single currency by 2010 appear wildly optimistic in view of the track record of the organization. A monetary union would involve abdicating monetary sovereignty to a GCC central bank. It is true that such a move would involve fewer difficulties than in the case of the European Union. The currencies of the member states are stable. Five of the GCC states are closely linked to the dollar whereas the Kuwaiti Dinar is tied to a basket of world currencies. Capital flows are completely liberalized. However, the creation of a GCC central bank still appears premature in an organization whose Secretariat is not entrusted with supranational powers, and where no pooling of sovereignty has taken place.

Joint Industrial Projects and Other Economic Initiatives

GCC officials stress the importance of joint development projects to the strategy of economic integration of the organization. Activity in this field is categorized as "positive" integration, and it is often emphasized in order to put a gloss on the difficulties encountered in the process of "negative" integration, namely the creation of a customs union and a common market. Joint development projects did indeed start in earnest after the founding of the organization. Twenty years from its founding, though, we can discern a clear pattern by which activity in this field soars when oil prices are high, and then abates when oil revenues start to dwindle. This is the general trend of economic activity in all of the Gulf, and it is not surprising to recognize it even in this field. However, it certainly creates many problems in sustaining joint GCC efforts in the economic field.

The Gulf Investment Corporation (GIC) is the pre-eminent institution set up in the field of joint development. It was established by the Supreme Council of the GCC Heads of State at its meeting in Doha on 10 November 1982. The Supreme Council decided on an initial generous capitalization of US\$2.8 billion, and that it would be based in Kuwait in line with the practice of spreading GCC institutions among the

six member states. In later years when oil revenues fell GCC governments began to renege on their commitment and the fully paid up capital was US\$2.1 billion. However, at the end of 2002 the GIC could boast total assets in excess of US \$5.8 billion, and a very respectable return on paid up capital of 12.1 per cent.¹⁸ GIC shares are owned in equal proportion by GCC states, and the corporation is controlled by a board of directors consisting of two representatives from each member state.¹⁹ The aims of the organization included among others lending for industrial, agricultural and fishery activities in the GCC; undertaking technical and economical feasibility studies as well as involvement in selected new investment projects; investing in existing companies.²⁰

GIC used to fully own the Gulf International Bank (GIB) which was acquired in 1991. As a result of a merger between GIB and Saudi International Bank (SIB), GIC retained ownership of 72.5 per cent of GIB. Subsequently in April 2001, that remaining ownership was sold directly to the six governments that comprise the GCC: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.²¹ The divestment followed a decision by the board of directors and the six GCC governments to refocus the GIC on its core missions. However, GIB was well managed by the GIC in the ten years of its ownership.²²

Even if its missions appear somewhat outdated in an era of privatization and deregulation, the GIC proved to be an efficient organization. Overall, when choosing its investments, it managed to discriminate among projects and to resist political pressure surprisingly well. For example of the 199 projects that the GIC chose for appraisal and evaluation in the first eight years of its existence, only half received a full technical and economic feasibility evaluation and less than 10 per cent were finally accepted (Koppers 1995, 160). This is a commendably low percentage, given the political pressure that is usually brought to bear on the organization. The organization, while not a giant given the huge size of the Gulf capital markets, performed well and assisted the GCC Secretariat by performing serious, in-depth evaluations. In sum, the GIC is probably one of the best-managed projects in the field of GCC economic integration.

Another important specialized agency is the Gulf Organization for Industrial Consulting (GOIC), headquartered in Qatar. It was founded in 1976, well before the establishment of the GCC. Its main mission is the identification, evaluation and promotion of joint industrial projects in the member states. In addition, the GOIC publishes studies of the state of industries within the GCC, periodicals and bulletins, and maintains a number of useful databases.²³ It also runs a number of training programs and symposia. The problem for the GOIC is that, while the quality of

18 See the Annual Report for 2002 (Gulf Investment Corporation 2002).

19 For an overview of the funding of the GIC see Al-Fayez (1984-85).

20 See Koppers (1995, 160) and GIC reports (available at www.gic.com.kw).

21 See Gulf Investment Corporation (2007) also for a list of all participating companies.

22 See <http://www.gibonline.com/Sub.aspx?ID=124&MID=83> (accessed May 2007).

23 For an overview of the organization see Gulf Organization for Industrial Consulting (2007). For an analysis on the part of one of its former Secretary Generals who does not shy away from examining the difficulties faced by the organization see Al-Jafary (1992).

the studies and of the personnel is good, there simply is not much scope for joint industrial projects in the Gulf. The fact that its studies are rigorous and serious just underlines that with current cost structures the number of viable industrial joint ventures in the Gulf that would not require huge subsidies remains quite limited.

The same problem has beset another GCC institution, the Industrial Cooperation Committee of the ministers of industry of the six member states, which first met in October 1981 and whose task it is to promote joint industrial projects.²⁴ In this case the main achievements seem to have been the exchange of information and the furthering of projects that do not necessarily involve all six GCC countries. The activity of the committee must be seen in the context of the numerous joint ministerial meetings held at the GCC level. The importance of this constant process of consultation is often discounted by foreign observers. However, these meetings, which involve almost all the ministries, encourage the spreading of best practice and informal policy coordination among member states.

Among the successes of GCC economic integration must be counted the efforts in the area of standardization and metrology. On 10 November 1982, in addition to setting up the GIC, the Supreme Council approved the transformation of the existing Saudi Arabia Standards Organization (SASO) into the GCC Specification and Measures Organization (GSMO). On 10 October 1983 the inaugural board of directors and the organizational structure were established. As in other GCC inter-ministerial organizations the GSMO is governed by a board of directors consisting of the ministers representing the relevant ministries of each of the member states, with a rotating chairmanship. The Secretariat General is represented at GSMO meetings by the Secretary General and the Associate Secretary General for Economic Affairs, but crucially the latter two do not have voting rights, and the board of directors reports directly to the Ministerial Council (Peterson 1988, 152-53). This is another illustration of the lack of supranational powers on the part of GCC officials.

In January 1998 the GSMO reported that since its inception it had approved approximately 1000 unified standards for the GCC countries to date.²⁵ Furthermore, the GSMO plays a part in the EU-GCC cooperation agreement. The GSMO and the European Commission concluded a Memorandum of Understanding in 1996 covering a Standards Cooperation program of three years. Subsequently a European expert took up duty in Riyadh, and has worked with the GSMO since December 1996 as coordinator of the European side of the program. It is planned to introduce telecommunications standards into this program of cooperation (see European Parliament 2000).

Oil Policies

The six GCC states sit on some 46 per cent of proven world oil reserves. More crucially they have a production/reserve ratio of around 90 years (British Petrol 2003).

Article 11 of the UEA affirms that member states shall endeavor to coordinate their policies with regards to all aspects of the oil industry and adopt a common position

24 For a brief description see Ramazani (1988, 205).

25 See http://www.ustr.gov/assets/Document_Library/Reports_Publications/2001/2001_NTE_Report/asset_upload_file262_6571.pdf (accessed May 2007).

vis-à-vis the outside world. An energy committee comprising the oil ministers of the member states met 25 times in the first decade of existence of the organization, and oil matters are on the agenda of all meetings of the Supreme Council. However, from an institutional point of view, four out of six GCC states are members of the Organization of Petroleum exporting countries (OPEC), and five out of six, including Bahrain (that does not have oil left), are members of the Organization of Arab Petroleum Exporting Countries (OAPEC). Oman adheres closely to the policies of these two organizations, without actually being a member.

In light of the existence of these two distinct organizations, the GCC has never served as a forum to coordinate oil policies. Since oil policies are so vital to the life of the member states, this is an area in which any pooling of sovereignty appears unattainable for the foreseeable future. However, there have been some results in the fields of marketing, training of work forces and the need to avoid excessive replication in the refining sector.

Obstacles to Economic Convergence and Integration

In order to understand why the GCC has achieved less than was envisaged in the UEA, we have to start from some general considerations about the political economy and the recent history of the six member states. Gary Sick and other analysts remind us of the economic problems currently facing the GCC states.²⁶ These include budgetary uncertainties due to the vagaries of the international oil market, dominance of the public sector, unemployment and underemployment among the local population, inadequate revenues to finance the very generous welfare states, lack of transparency in the state budgets. The remedies are similarly well rehearsed and they are quoted in countless reports of the World Bank and the International Monetary Fund: reducing government subsidies to the public and private sectors, cutting redundant labor in the civil service, rationalizing non-productive spending, and introducing large scale consumption taxes as well as taxes on income of individuals and companies.

However, as Gary Sick ably concludes, GCC states face a dilemma. If they maintain the paternalistic statism that served them so well for half a century, they risk a domestic struggle over a dwindling body of resources. If however, they open up the system economically, let alone politically, they risk setting in motion a set of vigorous new institutions that would almost inevitably challenge their ruling style, if not their very legitimacy. This formulation encapsulates the essence of the dilemma. At the domestic level, the cures for the problems are well known and prosaic, but also politically unpopular, so there never seems to be an appropriate moment to take the kind of bold and painful action that is required.²⁷ This phenomenon is well illustrated by the very slow pace of “indigenization” of the work forces in GCC states.

26 See Sick (1997) but also Kapiszewski (2001) for a detailed analysis of the structural problems of GCC economies.

27 Partial exception being Dubai and Bahrain where the fact that oil has all but run out has forced the authorities to foster a more business friendly environment. This may indeed constitute the pathway to sustainable reform. Also in Oman the percentage of expatriates in the workforce is a little less than in the other GCC states (but still well over 60 per cent).

If this is the situation at the domestic level in most GCC states, what does economic integration have to offer? As long as important reforms are carried out at a glacial pace at the domestic level it is difficult to see how economic integration could proceed much further. This is particularly true when difficult political choices will have to be made, such as a significant pooling of sovereignty, or the granting of supranational authority to GCC bodies.

A recent development is the accession to some GCC bodies of Yemen, the big, poorer neighbor to the South. While this could be seen as a welcome development from the point of view of regional integration, it actually represents a further potential stumbling block on the path of economic integration. Yemen is much poorer, and its socio-economic structure is very different from current GCC members. The prospect of co-opting it in a meaningful process of economic integration is difficult to imagine. Indeed, if Yemen were to become a full member of the GCC this would send a signal of the organization having abandoned the prospect of meaningful economic integration, and that in the future it would satisfy itself with presentational gestures that would not require politically sensitive decisions. The labor-intensive Yemeni economy would sit uneasily alongside the economies of the current GCC states. As we have seen, it has proven extremely difficult to successfully integrate the economies of the current GCC members even though their industrial and service makeup is similar. The idea that Yemen could be part of a meaningful process of GCC economic integration is not realistic.

The prospects of Iraq joining the organization at some time in the future are even more remote. If democracy were to prevail, the government would be dominated by Shiite politicians. This would add a further sectarian obstacle to integration into the organization. It is furthermore unlikely that a genuinely democratic Iraq would have an interest in joining an organization of Sunni monarchies. In the best case scenario the relationship between the organization and the new Iraqi regime is more likely to develop in the direction of an association agreement that would ensure a steady flow of financial aid until potential Iraqi oil reserves come on stream. Even in this case, though, it is unlikely that single GCC governments would channel the flow of aid through the organization.

More fundamentally, the prospect of Yemen and Iraq becoming members of the GCC would shatter the sense of regional awareness that is one of the best achievements of the organization to date. The political culture of the two countries could not be more different from the one of current GCC members. It is therefore advisable to proceed cautiously in this direction. There is much left to be done in deepening integration and coordination among the current members before the accession of new members can be contemplated seriously.

Conclusion

There is a growing body of literature centered on the notion that regions, and more specifically regional organizations, are becoming key actors in world politics. The proponents of this view see regions as significant in their own right, and not as merely

derivative of state or global power.²⁸ This view takes its cue from the experiences of the European Union, NAFTA, and to a lesser extent ASEAN. Scholars of the Middle East are quick to dismiss its relevance when it comes to the region, pointing to the obvious institutional shortcomings of even long-established institutions such as the GCC.²⁹

My research points to a more nuanced appraisal of the organization. It is certainly true, and it is acknowledged by bureaucrats within the Secretariat, that the failure to implement signed agreements both in security and economic affairs has damaged the credibility of the organization. However, it is important to recognize the growth in regional awareness brought about by the activities of the organization in the last twenty years. The profound change in the notion of Arab identity that followed the demise of Pan-Arabism allowed Gulf leaders in 1981 to spurn previously accepted norms of intra-Arab political behavior by setting up an organization that was explicitly sub-regional in character. The sub-regional setting has been enthusiastically embraced by intellectual and business elites bent on reform. The latter see the sub-regional setting as a discursively “good” area in which they were free to debate issues of economic, and—to a certain extent political—liberalization to a degree that was difficult in the single member states. For many the GCC was seen as possibly a vehicle for “top down” liberalization.

Even if this has not proven to be the case, the GCC has certainly acquired a well-defined role in the cognitive boundaries of politicians and businessmen alike, both within and outside the region. The boycotting of the GCC summit in Bahrain by Crown Prince Abdullah of Saudi Arabia in 2004, one of the many occasions in which a Gulf leader boycotted a GCC summit because of a particular grievance, proves this point. While it is true that the Bahrain–United States bilateral free trade agreement is likely to further complicate efforts to set up a working customs union, what really irked the Saudi government was the fact that Bahrain had gone it alone, betraying the principles of consultation and coordination that underlie the workings of the GCC. Crown Prince Abdullah was protesting a move that further sets back the day when the GCC will act as a single unit in trade negotiations. Likewise, from an institutional point of view, the eventual attainment of a *khaliji* identity, particularly in the sphere of external defense, will mark an important step forward in the life of the GCC.

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28 For an exhaustive overview of this strand of literature see Fry (2000).

29 See for example the scathing dismissal by one of the foremost historians of the region, Tripp (1995).

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Chapter 7

The Organization of the Islamic Conference: From Ceremonial Politics Towards Politicization?

Ishtiaq Ahmad

Recent years have seen the Organization of the Islamic Conference (OIC) transform from a ceremonial international institution to one willing to reform and assert itself in global economy and politics. In December 2005, the leaders of 57 OIC Muslim member-countries agreed to wide-ranging reforms of the organization at an extraordinary Islamic Summit in Mecca, Saudi Arabia. A number of internal and external factors have necessitated such reforms, including the domestic challenge from Muslim extremism, the US/Western pressure, Muslim ruling elites' realization about the urgency of reforms, and the assertion of non-Arab Muslim countries in OIC affairs. Some recent practical instances of the OIC's economic and political assertion at the international stage are additional indicators of change.

No doubt the OIC has a disappointing track-record in realizing its past objectives. It has traditionally preferred rhetorical declarations to realistic action in world affairs. At present, however, owing to the above factors—which emanate essentially from the qualitatively changed global circumstances in the aftermath of the terrorist events of September 11, 2001—the OIC leadership seems willing to opt for a more pragmatic and cooperative path to help revamp the socio-economic situation in the Muslim world, and harmonize its ties with the non-Muslim world, particularly the US/West. The recourse to political pragmatism, and a regionalism based on common Muslim identity, assisted by the forces of globalization, could help the OIC re-chart the political and economic course of the Muslim world.

The OIC in Historical Perspective

The OIC was established in September 1969 at the first summit of Muslim leaders in Rabat, Morocco, which was held to protest the attempted arson of the Al-Aqsa Mosque in occupied Jerusalem by a Jewish zealot. At the Rabat summit, Muslim leaders declared their intention to “liberate Al-Quds Al-Sharif (Jerusalem) and Al-Aqsa Mosque,” the third holiest shrine of Islam, from Israeli occupation. They also agreed on “the need to institutionalize efforts to forge unity among Muslims, defend Muslim causes in world politics and establish a mechanism to resolve internal differences within the Muslim world” (OIC 2007). In March 1970, the First

Islamic Conference of Foreign Ministers (ICFM) was held in Jeddah, Saudi Arabia. It established a permanent OIC General Secretariat and appointed its first Secretary General. Jeddah was also chosen as a temporary headquarter of the organization, pending the liberation of Jerusalem. In February 1972, the Third Session of the ICFM adopted the OIC Charter, which aimed to “strengthen a) Islamic solidarity among Member States; b) cooperation in the political, economic, social, cultural and scientific fields; and c) the struggle of all Muslim people to safeguard their dignity, independence and national rights” (see Saad 2001; Organization of the Islamic Conference 2007).

The “Conference of Kings and Heads of State and Government” is the supreme authority of the OIC. It is required to meet once every three years to lay down the organization’s policy on Muslim world issues. The ICFM, the second most important OIC authority, meets each year to examine progress on decisions reached at the previous summit conference. The OIC General Secretariat is headed by a Secretary General, who is appointed by the ICFM for a period of four years, renewable only once. The Secretary General is assisted by four Assistant Secretary Generals. The OIC has eight subsidiary organs, four specialized institutions, seven affiliated institutions and seven committees, which are located in various member-states. It maintains two Permanent Missions at the United Nations offices in New York and Geneva (see Organization of the Islamic Conference 2007).

The OIC is one of the largest international organizations after the UN measured by the number of member states. Spread over three continents, its 57 members are regionally situated in the Middle East, North and West Africa, Central Asia, Southeast Asia, and the Indian Subcontinent. 27 OIC countries are located in Asia. Africa has the largest number of OIC states, numbering 29. Europe has only one member-country, namely Albania. The OIC has 11 observers, five of which are states, including Russia. The UN, the Non-Aligned Movement, the League of Arab States, and the Economic Cooperation Organization (ECO) are important OIC observers among international organizations.

Despite having such vast institutional capacity, the OIC has achieved little over the decades. The academic literature on the organization, which itself is quite limited, is mostly critical of its past performance. In popular perception as well, the OIC is best known for inaction, often jokingly referred to as “Oh I See!” However, regarding the reasons for its past inactivity, perspectives vary—the foremost one focusing on its divisive nature.

Geographically apart, OIC members have little in common but Islam. They display deep political, economic, cultural and religious diversity, which has been a major source of division. For instance, the traditional sectarian and political divisions in the Muslim world, such as those between the revolutionary Shiite state of Iran and the Wahhabist kingdom of Saudi Arabia, have often impinged upon OIC’s ability to achieve internal cohesion. According to Souhail Hashmi (1996, 23), the organization has been “stymied by its determination to use Islam as its basis, as this has left it vulnerable to competing claims and the myriad interpretations of what constitutes an ‘Islamic’ approach to justice and international relations.” In the words of Shahram Akbarzadeh and Kylie Connor (2005, 79), the OIC is “effectively constrained by the sanctity of state sovereignty. That principle has been enshrined in the OIC Charter

and has provided the organization with an operational framework that is more restrictive than the ideal of Muslim unity and interests.”

Saad Khan concludes his extensive study on the organization by pointing out five causes for its lackluster performance in the past (Saad 2001, 182): First, “the conflicting and occasionally diametrically opposite national priorities of the member-states have encumbered the OIC’s capacity to act decisively.” Second, the “spectacular increase” in the OIC membership has made it a large organization, one that is difficult to manage. “These two factors translate into a very strong reaction on the part of the OIC on one particular issue and a very limited one, lacking initiative, on the other.” Third, the “organizational weakness is a façade of the same malaise.” Fourth, these problems are “compounded further by ambiguities in the OIC Charter.” Finally, the core problem with the OIC and its affiliated institutions is the “perennial financial stringency.”

Such critical perspectives on the rather disappointing track-record of the OIC are supported by strong evidence. The OIC Charter obliges member-states to refrain “from resorting to force or threatening to resort to the use of force against the unity and territorial integrity or the political independence of any one of them;” (OIC 2007) and to settle “any dispute that might arise among Member States by peaceful means such as negotiations, mediation, conciliation and arbitration.” Yet the 1980-88 Iran-Iraq war and the 1990 Iraqi invasion of Kuwait point to utter failure on OIC’s part to resolve Muslim world conflicts. The organization has also achieved little in settling its founding issue of Palestine. Iran and Syria do not share the organization’s broadly cooperative approach towards the United States and the West in the aftermath of September 11, 2001. With regards to recent events such the Iraq war, the Lebanese Hezbollah-Israel conflict, the Danish cartoon controversy and anti-Islamic remarks by Pope Benedict XVI, the OIC role has been limited to expressions of Muslim concern, whose relevance to real-politik world is quite marginal.

As Akbarzadeh and Connor (2005, 80) point out, a significant factor in the original founding of the OIC was the “determination” of Saudi Arabia, as the custodian of Islam’s two holiest shrines, to “counter the appeal of pan-Arabism” with that of pan-Islamism. “The 1960s, the glory days of the pan-Arab movement, confirmed the power of Gamal Abdel Nasser’s Egypt. The crushing defeat of the 1967 Six-day War insured that, as a popular movement and vehicle for regional unification, pan-Arabism was defunct.” Under Saudi leadership, the OIC has attempted to overcome the obvious limits posed by nation-states by “invoking a sense of common Islamic history.” This history is constructed on what Mohammed Ayoob (2004, 11) calls the “Muslims’ collective memory of subjugation” and a sense of powerlessness against the West. Consequently, Akbarzadeh and Connor (2005, 90) argue, “in the past, the relationship the OIC forged with other international bodies and states has been reactive, based on familiar grievances.”

However, Akbarzadeh and Connor (2005, 90) admit that “in recent years, the organization has begun to move beyond the comfort zone of reacting to events and measures adopted by other international bodies and states, and to articulate a new, less reactive and more assertive path for the Muslim world.” The diversity factor in the OIC composition also constitutes a potential hedge against extremist forces in the Muslim world. The principle of state sovereignty may have been an important

impediment to realize OIC's pan-Islamist agenda in the past. However, when the same agenda is now hijacked by extremist, confrontational non-state entities like al-Qaeda, the very principle can help promote progressive pan-Islamism as a counterpoise to regressive pan-Islamism within the framework of the OIC, provided its members are equally committed to the realization of such a goal.

An organization whose role in the past over three and a half decades has been no more than a forum of discussion and a platform for passing hollow declarations cannot be expected to turn itself overnight into a proactive international body. The common Muslim identity coupled with the forces of globalization offer the OIC enormous opportunity to act differently than it did in its dismal past. Given that, the question that needs to be addressed is what sort of changes are under way in the Muslim world and its largest representative body? It is the prospect of these changes that will determine whether the initiatives and responses of the OIC will have real practical relevance in future world politics. For this purpose, it is essential to review, however briefly, the factors underpinning recent bids by the Muslim leadership to reform the OIC and assert its role in global politics and economics.

Recent Indicators of Possible Change

It was at the 2003 Islamic Summit Conference in Malaysia that the first step towards reforming the OIC was taken. The summit created a 16-member Commission of Eminent Persons, whose wide-ranging recommendations were reviewed by a large group of Muslim Scholars prior to the Extraordinary Islamic Summit at Mecca in December 2005. The summit produced three main documents: The Mecca Declaration, the Ten-Year Program of Action, and the Eminent Persons' Report (see Organization of the Islamic Conference). These documents cover a gamut of challenges facing the Muslim world and recommend a variety of strategies to overcome them. Their contents indicate an obvious change in the priorities of the OIC. There is a welcome shift to concrete problems such as the focus on tackling real issues of trade and poverty, the need to empower the Office of the Secretary General, holding member-states accountable for their non-payment of mandatory contributions, and reforming the OIC Charter, so on and so forth. A number of factors are responsible for the recent push towards OIC reform.

Challenge of Muslim Extremism

First, the urgency to infuse life into the OIC could be due to the rise within the Muslim world of extremist groups. These groups not only challenge the US/West by mounting attacks against US or Western interests but also pose an ideological and armed challenge to many Muslim regimes, whom the extremists accuse of kowtowing to the US/West. Saudi Arabia, Egypt, Jordan, Turkey, Pakistan, Indonesia and several other Muslim countries have been victims of Muslim extremism and terrorism. In their perception, the 9/11 attacks were an extension of the same pattern of militancy by Islamists who were now moving beyond state borders and operating internationally. Unsurprisingly, therefore, the OIC was one of the first multinational

organizations that “strongly condemned the brutal terror acts” on the US (Takeyh 2002, 70).

US/Western Pressure

Secondly, the US/West, while fighting extremism, is making efforts to purge the Muslim world of those factors which, it thinks, help the extremist groups win more adherents. For the purpose, it wants Muslim countries to reject terrorism in all forms and combat it with all possible means; institutionalize wide ranging legal reforms to combat extremism; democratize political systems; liberalize economic structures; modernize educational institutions and curricula; and prioritize real public issues such as poverty, disease and illiteracy—and all this as a counterpoise to transnational Muslim militancy.

Both factors—the reality of extremism in the Muslim world, especially its terrorist manifestations, and the response of the US-led West to it—have brought much pressure on Muslim regimes. Their response to the situation is two-fold: fight extremism at home while trying to turn the OIC into a more effective platform of action. Consequently, the Mecca summit documents are full of expressions of Muslim world’s collective resolve to combat extremism. The challenges facing the Muslim world and strategies for overcoming them, as mentioned in these documents, are also in conformity with current Western demands *vis-à-vis* the Muslim regimes.

Status quo No More Affordable

Partly due to the above two factors, a third reason behind OIC reformation may be the realization on the part of Muslim ruling elites of the plight of the world of Islam and a growing political inclination to pull it up from its bootstraps. In their individual discourse as well as from the OIC platform, prominent Muslim leaders have increasingly stressed the need for correcting the distorted image of Islam, promoting dialogue with the Western/non-Muslim world, and rectifying the socio-economic plight of Muslims. The realities of the post-September 11, 2001 world are such that continued inertia is not a luxury the Muslim world can afford any longer.

For instance, the urgency of restoring the true image of Islam is necessitated by the unprecedented rise of Islamophobia in the West and the projection of a regressive image of Islam by Muslim extremists (Rhanem 2005). Meeting such qualitatively newer challenges requires that the OIC’s Da’wa Department be given the additional task of tackling Islamophobia, and the scope of Islamic Fiqh Academy be broadened to bring Islamic education in conformity with universally practiced norms and values. Besides reaching such decisions, the OIC leadership at the Mecca summit agreed to pursue a strategy of engagement with the Western/non-Muslim world for the resolution of long-standing disputes in the Muslim world (Musharraf 2004). The summit documents also emphasize the need for closer cooperation between the OIC and other international organizations, such as the UN and the European Union (EU). In fact, since 2002, a UN Secretary-General-sponsored “Alliance of Civilization” initiative has been under way between the OIC and the EU, led by Turkey on behalf of the former and Spain on part of the latter (see United Nations 2006).

The Muslim leadership's political discourse has also started to depict a self-critical perspective—unlike its traditional propensity to blame “others,” primarily the US/West, for the plight of the Muslim world. Such a perspective, offered particularly by non-Arab Muslim leaders, underscores the failure of the Muslim world to translate its enormous economic/resource potential into political power on the international stage. Muslims account for 15 per cent of the world population, inhabiting one-fifth of the world's landmass. The OIC members control roughly 60 per cent of the world's natural resources. Ten out of eleven members of the Organization of Petroleum Exporting Countries are in the OIC. Saudi Arabia alone has about a quarter of the world's reserves of crude oil. Yet, the OIC countries have less than five per cent of the world's annual Gross Domestic Product (GDP), amounting to \$1,300 billion, while that of Japan alone is \$4,500 billion. Human development indicators of the OIC members are among the lowest in the world (see Islamic Development Bank). Addressing such astonishing dichotomy between OIC states' demographic strength and resource potential, on the one hand, and the pitiable state of their economic and social life on the other, requires a new strategy—one that focuses more on “low politics” issues of finance and trade, investment and employment, poverty and disease, and less on “high politics” issues such as the ritualistic discourse on the problems of an imaginary “Ummah,” a comity of Muslim nations.

No More an Arab-Centric Affair

That the beginnings of such transformation are evident in the Muslim world constitutes the fourth indicator of change in the affairs of the OIC—being caused essentially by the gradual assertion of non-Arab Muslim states or regions in the OIC affairs as well as the Middle Eastern ruling elites' proactive pursuit of economic and trade ventures in Asian and Muslim world markets. In the past, the institutionalized leadership role that Saudi Arabia carved out for itself within the governing structure of the OIC, as well as its role as the organization's financier, ensured that the kingdom exercise a leading voice within the Muslim world. Since the events of September 11, 2001,

the Wahhabi stream of Islam, already viewed with suspicion due to its missionary zeal, has come under great regional and international scrutiny. The radical interpretation of this doctrine by transnational organizations such as al-Qaeda has led to destabilization within the region, a situation that has been a source of friction in Saudi Arabia's international relations (Akbarzadeh and Connor 2005, 82-83).

Moreover, the Palestinian dialog with Israel, and the pragmatic moves made by several Muslim countries towards the Jewish state have overshadowed the founding issue of Palestine. While the OIC remains committed to the resolution of the Palestinian question, its translation into reality is a task in the pursuit of which extremist Muslim groups like al-Qaeda and Hamas are widely perceived in the Muslim world as doing more. For Africa's OIC members, alleviating poverty and fighting epidemics like AIDS/HIV have emerged as issues of urgent concern, just as realizing economic growth and fostering regional trade and investment have become more vital areas of interest for South-East Asian Muslim countries like Malaysia and

Indonesia. Consequently, Saudi Arabia is now prepared to share its leadership role in the OIC with other important non-Arab Muslim countries. The Saudi outlook on Palestine has also become more pragmatic and less rhetorical, which is evident in OIC's backing of the US-initiated roadmap for a two-state solution to the dispute. This land-for-peace principle is central to Saudi King Abdullah bin Abdul Aziz's 2002 peace plan for Palestine.

The extraordinary focus that the Mecca summit placed on tackling issues of "low politics" indicates that the OIC leadership is willing to incorporate the interests and aspirations of its non-Arab OIC members from Africa and South-East Asia, especially countries like Malaysia, which is the driving force behind OIC's increasingly economically-driven agenda. According to Malaysian Prime Minister Abdullah Ahmad Badawi, "the best antidote to religious extremism is economic growth" (Gatsiounis 2005). An important reason why the OIC has not made significant strides in the economic sphere is the enormity of the gap between its rich and poor members. The main problem has been the unwillingness of the oil-rich Gulf countries to assist poorer Muslim countries of Africa and Asia. Quite often, they have even defaulted on mandatory contributions to the organization's Islamic Solidarity Fund. The summit, therefore, decided to impose severe penalties for non-payment of such contributions. The richer members are now also obliged to contribute voluntary funding to meet emergencies such as natural disasters and urgent socio-economic concerns like poverty alleviation in Africa. Likewise, reforms in the OIC Charter are justified on the grounds that "new realities of the world—marked by the growing importance of globalization, free markets, human rights and democracy in international relations, make it an outmoded document whose initial relevance was to tackle challenges of colonialism and the Cold War era" (El-Bahr 2005).

Practical Instances of Assertion

Fifthly, there are some practical indicators that seem to confirm that the OIC members have started to act together as a united bloc in world politics, to help each other in times of utter need, and to undertake serious initiatives to promote trade and economic cooperation.

An important recent event highlighting OIC assertion in global politics was the organization's steadfast stance regarding UN Security Council expansion—which, besides other factors, proved instrumental in delaying decision on the matter at the 60th anniversary session of the UN General Assembly in September 2005. The momentum for Security Council expansion had been building up since the late 1990s, as demands and proposals by various global institutions and regional powers advocated the enlargement in its permanent and non-permanent membership. The designation of 2005 as a critical year for Security Council reform was determined by former UN Secretary General Kofi Annan when, in a major report to the UN in early 2005, he called for a decision before the UN General Assembly session in September 2005. It was perceived by the Muslim leadership as an endorsement of the efforts of Germany, Japan, Brazil and India for a vote at the General Assembly on adding six new permanent seats to the Security Council (Hassan 2005).

It was against this backdrop that the OIC expressed its desire for due representation of the Muslim world in the Security Council. It made the plea that in view of the “significant demographic and political weight” of the Muslim world, the reform of the Security Council bears particular importance “not only from the perspective of increased efficiency, but also to ensure the representation of the main forms of civilizations, including the adequate representation of the Muslim world in any category of expanded Security Council.” (see Organization of the Islamic Conference 2007)

The OIC also proactively contributed to combating recent natural disasters, including the South-East Asian tsunami of December 2004 and the October 2005 earthquake in Pakistan. Immediately after the tsunami disaster, OIC Secretary General Ekmeleddin Ihsanoglu launched a flash appeal to Muslim states to make urgent donations to the victims. The appeal received a strong response: 33 OIC states pledged donations totaling US\$1.3 billion. A project for the support of orphans, called the “OIC Coalition for the Rescue of Child Victims of the Tsunami” was also initiated, which helped bring relief to some 35,000 orphans in the tsunami-hit region (El-Bahr 2005). As for the Pakistani earthquake, the Islamic Development Bank (IDB) pledged \$501 million at the November 2005 International Donors Conference in Islamabad, which was about half the World Bank’s pledge of \$1 billion. Individual Muslim countries provided additional assistance. Of the roughly 30 countries that offered help, Saudi Arabia pledged \$573 million, Turkey \$150 million, Iran \$200 million, and Kuwait and the United Arab Emirates each \$100 million (Ahmad 2005).

Finally, recent years have seen spectacular growth in intra-OIC trade and investment—a matter for which the organization has often come under severe criticism in the past. Saudi Arabia, Turkey and Indonesia are the top three economies of the OIC. During 2000–2003, their combined exports to other OIC countries increased by 57 per cent as compared to an increase of 28 per cent to non-OIC countries; and their total imports from other OIC states increased by 44 per cent, as compared to an increase of 39 per cent from non-OIC countries. During 2000–2002, the value of intra-OIC exports showed an upward trend, increasing to \$53.7 billion in 2002, a 10.3 per cent rise; while intra-OIC imports rose from \$56.7 billion in 2000 to \$60.1 billion in 2002, a 6.1 per cent rise (Shikoh 2005).

Intra-OIC investment has likewise gained momentum, reflected by tremendous activity in the telecom sector. For instance, Egyptian Orascom Telecom has become the most diversified GSM network operator in the OIC countries, with investments and network presence in Algeria, Pakistan, Tunisia, Bangladesh, Jordan and even Iraq. Malaysia’s Multimedia Development Corporation and Pakistan Software Export Board are running joint ventures in the areas of life sciences, biotechnology, smart cards, wireless technology, innovative Information and Communication Technology (ICT) solutions, ICT training, creative content development and telemedicine. Malaysia is also engaged in poverty alleviation programs in three poorer OIC countries, including developing the palm oil industry in Sierra Leone, the resources sector in Mauritania and the fisheries industries in Bangladesh (Shikoh 2005).

The Difficult Road Ahead

Despite recent indicators of change in the OIC, including factors necessitating reforms which the Mecca summit has attempted to institutionalize, as well as practical instances of the OIC world's economic and political assertion, we can be only cautiously optimistic about the organization's potential to grow in future. The current marginalization of the Muslim world in global politics is still compounded by glaring proofs of economic depression and social plight, as cited before. Thus, the real challenge facing the Muslim world is to translate its human and material resource potential, which is quite impressive, into actual political and economic power, which is still limited. What is required is a credible follow up process to implement the decisions reached at the Mecca summit, backed by constant inflow of cash from richer OIC members.

The summit decision to create an executive body, comprising Summit and Ministerial Troikas, the OIC host country and the Office of the Secretary General, and the strengthening of the Islamic Solidarity Fund—especially measures to punish those OIC countries which default on mandatory payments—may help meet this essential requirement. All that is needed is the political will on the part of the Muslim world leadership. Recent trends towards reform and assertion are an outcome of the Muslim leadership's will to change, even though it is being expressed mostly against the backdrop of unaffordable internal and external challenges.

The OIC is not an organization that is starting from scratch, and, therefore, does not have to build institutions anew. In terms of organizational strength, it already has too many branches, which need to be made more efficient—a task that the empowerment of the Secretary General's Office can help realize. Moreover, the Muslim world is not trying to reform alone; in almost each arena of its intended reformation, be it the fight to combat extremism or the task to alleviate poverty and disease, or to have dialogue with civilizations of the West or the East, it has willing partners among major international organizations, and global and regional states, such as the UN, the EU, the US, Russia, China and Singapore, so on and so forth.

Regionalism Based on Muslim Identity

Obviously, the Muslim world cannot remain aloof from the broader trend in the post-Cold War period towards globalization, of which regionalism or regionalization is either a by-product or a reaction. As Andrew Hurrell and Louise Fawcett (1996) argue, globalization itself can at least lead to, if not exist as, a form of regionalism/regionalization. The Muslim world's quest for regionalism/regionalization is occurring within a wider context of globalization, whereby it, like the rest of the developing world, feels marginalized in the existing international economic order favoring the Industrialized North, as clear from its reservations about the existing terms and conditions of the World Trade Organization. Consequently, the Muslim leadership's current approach to tackle the injustices of global economy is marked by attempts to foster economic and trade cooperation among OIC countries on the basis of their common religious identity and relatively similar historical realities and cultural aspirations.

As discussed before, unlike the past, the OIC leadership is not trying to realize common Muslim identity through politics of rhetoric and reaction, but through concerted efforts to promote multi-faceted cooperative processes. The motivating factor behind a religiously rooted spirit of regionalism/regionalization enacted in the Muslim world could be explained within the Constructivist theoretical framework, such as Emmanuel Adler's concept of 'cognitive regions' (Wiberg 2000, 289-98)—which underlines the significance of citizens' sense of regional awareness and identity as members of that region. Constructivism suggests that states become members of regional organizations in order to illustrate some sense of united identity and to demonstrate shared interests that they have between them within the region. The same identity factor, with its religious connotation, establishes the relevance of the Constructivist paradigm to growing trends towards regionalism/regionalization in the Muslim world.

As for OIC's ability as a religiously grounded organization to integrate Muslim economies or harmonize Islamic countries' relationship with the rest of the world, we have to realize that the Caliphate concept is ingrained deeply in the Muslim mindset. Pan-Islamism has been a recurrent feature of Muslim history. Similarly to past centuries, the principal issue facing the Muslim world is whether to institutionalize Islam's inclusive form—something which the OIC leadership currently aspires to do, by promoting moderation at home and dialogue abroad—or adopt its exclusive form, an approach that Muslim extremists advance to realize their confrontational strategy vis-à-vis the Western world and pro-Western Muslim regimes. Instead of justifying religiously grounded political and socio-economic cooperation among OIC countries on the basis of questionable notions such as "Clash of Civilizations," as some Muslim scholars (Hassan 1998, 19) do, it would be logical to explain it as an exclusively Muslim phenomenon arising out of the historically rooted Muslim perceptions about "Ummah." If this collectivist Muslim desire is translated into an ever-flourishing relationship between the world of Islam and the West, then the same process of learning from existing civilizations that brought the Muslims to the apex of modernity in the Medieval Ages could be realized once again. Greater contact between the Muslim world and the West, as the Mecca summit documents envision, could facilitate the path to modernity in the former—an eventuality that essentially goes against the possibility of the so-called "Clash of Civilizations".

Integrating Muslim World Economies

In an era of globalization, and the corresponding trend of regionalism/regionalization—marked by rapid advancement and growth in information, communication and transportation means—integrative processes in financial, investment, trade and commercial sectors can be realized even among regions which are not linked by geography. Many OIC countries show a lot of similarities in their cultures and socio-economic conditions. Even the diversity factor could considerably fuel economic competitiveness.

The Middle Eastern and South-East Asian members of the OIC have already started to show an increasing trend towards regional trade and investment diversification. The surge in oil-rich Gulf Sheikhdoms' investment in the Muslim

countries of South-and South-East Asia seems to be part of a broader trend bringing the Middle East closer to Asia. The world's largest continent is rising, and it needs oil. China is already the second-largest energy consumer after the United States. Michael Vatikiotis (2005) argues that "the oil-rich Middle Eastern states have started to look towards Asia because they find that the post-9/11 suspicion and scrutiny that greets Arabs in the Western world is increasingly an obstacle to doing business. Trade between the Middle East and Asia expanded threefold during 2003-2004." Vatikiotis (2004) further states that "the recent boom in oil prices in the international market has created a large pool of petrodollars in the oil-producing Gulf countries," which they are investing in Asian markets... "Even countries outside the world of Islam such as Singapore have sought to plug into the lucrative Islamic banking field."

A striking feature of the OIC economies is that the volume of intra-regional trade is very low and their dependence on the industrialized countries considerable. However, as is clear from recent trends, the intra-OIC trade and investment has gained considerable momentum. Several OIC members have already signed a framework agreement establishing a preferential trading network within the group. But the agreement has had little impact on reducing the dominance of non-OIC countries as export markets, because most of the group's members have little to trade other than primary commodities like oil and gas. Consequently, the Mecca summit policy documents aim to increase the level of trade among OIC countries from the present 14 per cent to 20 per cent of their overall trade volume by 2015. But can the ten-year target of 20 per cent intra-OIC trade be realized?

The recent Middle Eastern push towards diversifying their trade and investment from traditionally Western markets to Asian economies, including the OIC members from South- and South-East Asia, augurs well in this regard. Another promising factor is that most OIC countries are already part of two types of regional economic schemes—one comprising only them, and the other including them and non-OIC countries. The first category includes four regional organizations, of which the Gulf Cooperation Council (GCC) and the ECO have been the most active. The second category includes 14 regional organizations in Eurasia and Africa, most important of which is the Association of Southeast Asian Nations (ASEAN) (Hassan 1998, 4-5).

The ECO is a preferential trade arrangement in which member states apply preferential treatment to some of their selected products. Anoushiravan Ehteshami (2005, 38) considers the ECO's expansion by its founding members (Iran, Pakistan and Turkey) in the early 1990s to incorporate all of the independent Muslim republics of the former Soviet Union plus Afghanistan as part of the "recent geographical expansion of the Muslim world outside the framework of the Arab network of states" that has created "new opportunities for cooperation among the non-Arab Muslim actors of Asia." Comprising ten members, the ECO boasts over 300 million people within its huge geographical space, and bountiful natural resources, including natural gas and oil. As for the second category, as the economies of the Middle East and Asia get closer, and Malaysia and Indonesia become more proactive in the economic affairs of the OIC, ASEAN's indirect contribution to the integration of the economies of the Muslim world will grow.

The sum total of economic success achieved by organizations such as the ECO will contribute to raising the level of intra-OIC trade. However, it is the growth in intra-

OIC trade and investment activities, both bilateral and within the OIC framework that will determine whether the organization is able to raise it to 20 per cent of its overall trade volume by 2015. A number of steps have been under consideration for raising the level of trade and investment, both private and public, in the OIC world. For instance, the idea of creating an Islamic Common Market has gained ground at the World Islamic Economic Forum, during its two successive sessions in Kuala Lumpur and Islamabad in October 2005 and November 2006, respectively. The Forum, a successor to the OIC Business Forum, is a potential equivalent of Davos's World Economic Forum. Each year, it brings together hundreds of prominent leaders of government, politics, business, media, civil society, and so forth from Muslim as well as non-Muslim world. It aims to foster trade and investment activity in the Muslim world and integrate its economies with the global economy (see Economic Affairs Division) .

Moreover, Malaysia has proposed the creation of an \$11 billion Infrastructure Fund, a master plan for developing financial services in the Muslim world. Financed by richer OIC members, the Fund would help pay for infrastructure projects in its poorer members, creating economic opportunities and reducing unemployment. Malaysia has also called for the adoption of a 10-point Master Plan for promoting the development of an Islamic financial services industry. Islamic finance could be used to improve access to capital in countries that have resisted conventional finance because of Islamic prohibitions against interest and gambling (see Wayne 2005).

The IDB and other banks in the Muslim world have planned to invest \$1 billion to create a bank to accelerate the availability of Islamic financial products. Such products already represent a rapidly growing segment of the international financial industry, buoyed by higher oil earnings and the increasing sophistication and return offered to wealthy investors by the products (Wayne 2005). The IDP remains the most influential arm of the OIC. As Islamic banking and finance gains further global recognition, and the Gulf Sheikdoms get richer due to continuing international boom in the price of oil, the IDB will gain more significance in the affairs of OIC, and any economic initiative led by the IDB will have greater chances of success.

In sum, as many of the OIC reforms, especially those pertaining to integrating Muslim world economies are in the process of implementation, a cautiously optimistic future for their incremental realization could be foreseen on the basis of the various indicators of change currently visible in the Muslim world. However, it remains unclear whether the processes of economic liberalization and regional economic integration currently under way in the Muslim world will contribute to liberalizing the regimes of its constituent states, especially the economically richer but politically authoritarian Middle Eastern monarchies. Domestically rulers may continue to pursue economic change while delaying as much as possible the process of democratic transformation. Thus, while a common Muslim identity may be a contributing factor in Muslim world regionalism in an era of globalization, given the collective identity derived by Caliphate-driven Muslim collectivism, its potential for realizing political change in the Muslim world are quite limited.

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Chapter 8

Regional Organizations as Conflict Mediators? The Arab League and Iraq

Ibrahim Al-Marashi

Post-Ba'athist Iraq serves as a unique case study of Arab League-constituent member relations: an example of the "reintegration" of Iraq, a founding member, into the Arab fold. The Arab League (AL) had condemned the 2003 war against Iraq and remained steadfast in its call for the immediate withdrawal of Coalition (US and British) forces from the country. After the 2003 Iraq war, another war of rhetoric ensued between Iraqi officials in the transitional government and the League. The former criticized the League for its perceived weakness in supporting Iraq's nascent political process, and its dialogue with Iraqi resistance/insurgent leaders, while the League was hesitant to recognize an interim Iraqi administration formed under the auspices of an occupation authority. For example, in August 2003, the League failed to recognize the US-appointed Iraqi Governing Council for fear of giving legitimacy to the occupation, and refused to dispatch Arab forces to aid in stabilizing Iraq. Further tensions emerged as the League delayed opening a permanent representative office in Baghdad, a request lodged on numerous occasions by Iraqi officials. Relations improved in October 2005, after the League sent its first visiting delegation to Iraq, resulting in call for a national reconciliation process under the auspices of the League to begin in November 2005.

The Arab League as Mediator

This chapter examines the manifestation of latent tensions between Iraqis, mostly Shiite and Kurdish political factions, and the Arab League from April 2003 to early 2006. On the domestic Iraqi level, while the League expressed intentions to serve as a regional mediator to resolve a member's internal conflicts, the organization in fact exacerbated the already caustic political narratives amongst the Iraqi factions. This clash of narratives in Iraq centers on the nation's identity; Iraqi nationalist, Arab nationalist, Kurdish nationalist and even a developing sectarian Sunni and Shiite nationalism are the discourses that underpin its conflicts, both political and violent. A pan-Arab organization attempting to mediate between these clashing narratives ultimately raised the question inside of Iraq as to whether the AL could serve as an impartial mediator in internal Iraqi affairs.

The AL has had limited success as a regional mediator, and their lack of success in Iraq seemed to be a foregone conclusion. Nevertheless, the value in studying the

AL's initiative is that it reveals how a regional organization can stir a debate in a constituent member over its very identity, to the point of affecting the text of Iraq's constitution. Examining how the Iraqis framed their views toward the Arab League revealed a divergence between Kurdish and Shiite Islamist factions in the government, distrustful of the regional organization, as opposed to an Arab Sunni opposition that had called for a greater role of the League in order to counter American dominance in Iraq's political process. On the other hand, insurgent elements, such as Al-Qai'da in Iraq and the former Ba'athists deemed the League a "tool of the Americans" to strengthen US control over Iraq.

These differences compelled the League as a regional body to conduct diplomacy with informal, ethno-sectarian factions in Iraq, rather than working solely with a state apparatus, as stipulated in the AL's charter. Like its neighboring countries, such as Iran, Saudi Arabia and Turkey, League relations were conducted with the "governments" of Iraq, be it the Kurdish Regional Government, or the embattled center, in addition to non-state actors, such as Arab Shiite and Sunni clerics. In order to bring Iraq back into the Arab fold (or in other words, outside of the "American fold") the AL had sought the participation of a Shiite dominated government, a Kurdish regional entity in the north and a Sunni opposition movement. The AL's reconciliation initiative ultimately failed, and as a third party negotiator, it never developed a sustainable strategy to reconcile those currents in Iraq. Granted, the AL failed, as did the US and the current Iraqi government of Nuri al-Maliki, in the same efforts of reconciling these various factions, but the question remains as to why a regional organization failed in a task that an occupying power and a local administration could not succeed in carrying out.

An examination of the clashing narratives inside Iraq suggests that the pan-Arab regional body lacked both the legitimacy and the credibility to carry out this reconciliation task. While the Iraqi factions agreed to the League's initiative and eventually met during a series of meetings beginning in November 2005, the mood inside Iraq towards the notion of reconciliation was ambivalent at best. In late 2006, that same ambivalence prevailed in Iraq regarding Prime Minister Nuri al-Maliki's reconciliation plan. In other words, the reconciliation efforts failed not simply as a result of the endorsement of an alleged pro-Arab Sunni League, but rather due to an issue of timing; the conflicting parties in Iraq have not reached a "mutually hurting stalemate" to compel the factions to accept the benefits of a reconciliation process. Second, while the Arab League was initially envisioned as an umbrella organization to serve as a means of regional collective security, in fact the League has adopted a platform of "collective identity security" in the region. While the League was unable to prevent an American invasion of Iraq as a collective security organization, it has vehemently sought to secure Iraq's Arab identity. The League's attempts to protect Iraq's Arab identity, keeping it part of a collective regional identity, was met with approval by the embattled Arab Sunni political parties, but those efforts have ultimately clashed with organizations in Iraq, predominantly Kurdish and Shiite, that are essentially trying to establish local ethnic and sectarian identities as a basis for their own power.

Ultimately, the League's effort as a mediator reflects the regional body's role in a post-2003 Middle East. In the face of an American occupation that it could not prevent,

the League ensured that it would secure Arab collective security on an identity level, by ensuring that Iraq's integrity is maintained, and by guaranteeing that the notion of "Arabness" was enshrined in the Iraqi constitution. This chapter seeks to define the Arab League's role in three consecutive processes initiated both on the local Iraqi level and on the regional level. The first process comprised the interim Iraqi government's attempts to gain recognition from the Arab League as a legitimate representative of the state. At the same time a parallel process emerged from the Iraqi insurgents and most Sunni Arab political factions who sought recognition from the same body as a legitimate representative of the Iraqi opposition. The second process began with the drafting of the Iraqi constitution, which revealed the role of the League in the debates over Iraq's identity, and contradictory Iraqi visions of the role of the nation in the Arab World. The third process was the League's reconciliation plan, demonstrating the tense dynamics caused by a regional initiative and the responses it elicited from factions within a constituent member. The League's reconciliation initiative would ultimately lose momentum due to the conflict of identities in Iraq, where Arabism is seen as a rhetorical and identity-based weapon by some parties, particularly the Kurds. The clash of identities in Iraq has resulted in violent movements, responsible for the ensuing sectarian violence. The interests of these sectarian factions by early 2007 was not reconciliation, but controlling as much power as they can in what continues to be a post-war political and security vacuum.

The Literature on Regional Organizations, Conflict Resolution, and the Arab League

Prominent works on the Arab League include Haifaa A. Jawad's "Euro-Arab Relations, A Study in Collective Diplomacy," which as the title suggest examines the interaction between the League and the EU from a collective diplomatic and economic perspective (Jawad 1992). Mark W. Zacher's "International Conflicts and Collective Security, 1946-1977" examines the formative years of the Arab League with an emphasis on the dynamics of collective security and regional Arab politics (Zacher 1979). Journal articles deal with other aspects of the role of the Arab League in the region, such as Bruce D. Berkowitz's analysis of alliance formations in the organization (1983), or Yezid Sayigh's analysis of the League during the 1990-91 Gulf Crisis (1991). The aforementioned literature is by no means exhaustive, but rather gives examples of research conducted on the League in the 1970s, 1980s and early 1990s. Substantial research has not been conducted on the role of the League at the turn of this century and its place in a regional order transformed by an American occupation and ensuing internal chaos in a member state. Ayşe Betül Çelik and Bahar Rumelili provide a methodological framework for combining Conflict Resolution (CR) and European Studies literatures in analyzing the EU's role in resolving Turkish-Kurdish and Turkish-Greek conflicts (Çelik and Rumelili 2006, 203-22). This chapter uses a similar approach to Çelik and Rumelili's, in that it seeks to combine the CR approach and Arab studies in examining the Arab League's role in resolving Iraq's conflicts.

First, the predominant definition of “conflict” in the CR literature is that of a struggle between actors aimed at controlling, neutralizing, or removing opponents in order to gain access to power, status, or scarce resources. Conflicts thus result from incompatibility of goals and actions between actors. Violent conflict emerges from efforts to settle disputes between parties by resorting to physical coercion (violence) or the threat of physical coercion. Applied to Iraq, the actors in the conflict are Shiite, Sunni, and Kurdish parties, as well as Iraq’s neighbors, the US and the UK, and the Arab League. The domestic actors all seek access to power in Iraq’s government and assembly, as well as control over resources, particularly oil, which has led to the rise of a petroleum nationalism in Iraq. Incompatibility results from the differing visions of the parties, whether it be the Arab Sunnis who seek to regain the control over the state, the Kurds who seek an autonomous, if not independent entity in the north, and the Arab Shiite who seek to rule a country where they form the majority.

There are significant works in the conflict resolution field that examine the role of regional organizations in preventing intra- and inter-state conflicts (see Chayes and Chayes 1996; Peck 1998). Case studies on European regional organizations focus on the Organization for Security and Cooperation in Europe, for example as a successful third party in terms of preventive diplomacy, facilitating negotiations and conflict resolution (Hopmann 2002). Few studies have examined the Arab League’s role in mediating, or more accurately, attempting to mediate conflicts. Nevertheless, the broader literature on European regional organizations playing roles as third parties in inter-state and intra-state conflicts produces frameworks that can be applied in an Arab regional context to the League’s attempt at mediating the conflicts within Iraq.

The traditional role for a third party in a conflict is to manage the tensions between the conflicting parties. The advantage that a regional organization has as a third party mediator is that it tends to be more familiar with local actors, both state and non-state, and the cultural and socio-political context that leads to the conflict (Çelik and Rumelili 2006, 205). The ability of a regional organization to serve its third party role in a local context however depends on its authority and legitimacy within the region. This chapter demonstrates the League’s policy following the war ultimately hurt its legitimacy in Iraq among Shiite and Kurdish parties, as well as members of the Iraqi public. Even though the Arab League enjoys a regional advantage—unlike other regional and collective organizations—nevertheless its influence is still limited as its reconciliation process involved actors who were considered as “security” risks for the involved governments, both Iraqi and the US.

Çelik and Rumelili identify two major paradigms to deal with when and how a third party should intervene in either an intra-state or inter-state conflict. The “structuralist” paradigm stresses, that a successful intervention should occur at the point where a conflict has reached a “mutually hurting stalemate” (Amoo and Zartman 1992, 131). Applied to Iraq, this paradigm begs further questions as to whether the parties’ have reached a mutually hurting stalemate. For this to occur, all parties, including militias, tribes and insurgent groups would have to realize that violent conflict is no longer benefiting their cause and that negotiations/reconciliation would ultimately be more beneficial. Third parties can also offer financial incentives,

or punitive sanctions to encourage the parties to reach a settlement, however the League is unable to employ either in the Iraq case.

Their second paradigm, the “social-psychological,” focuses on the necessity of the third party mediator to change the conflicting parties’ perceptions, attitudes, values and behaviors for a conflict to be fully resolved. Such an undertaking would have been outside the scope of the League; many of the conflict parties’ perceptions have been in formation and flux since the creation of the state of Iraq in the 1920s. Shiite and Kurdish groups still invoke collective traumas as a means of identification, with the former invoking the Battle of Karbala centuries ago as a means of sectarian identification. These ingrained attitudes and beliefs have been forged over centuries, and thus illustrate that a social-psychological approach to resolving conflict proves to be daunting for the League, and also for the Iraqi government itself when it attempted its own reconciliation initiative.

While Çelik and Rumelili provide a valuable methodological framework for understanding the role of a regional third party in a state’s internal conflict in a European context, the unique foundations of the Arab League as both a collective regional and ethnic organization requires a regional centric approach. The literature on the Arab League as a third party mediator mostly deals with its role in inter-state conflicts, such as that between Kuwait and Iraq in 1990, but works analyzing its role in internal Arab conflicts are scarce, since the League’s involvement in internal Arab affairs is rare in and of itself.

Post-War Iraq Relations with the Arab League: March 2003–August 2005

From a diplomatic viewpoint, while the Arab League is fearful of Iraq’s collapse, it has given de-facto recognition of Iraq’s ethno-sectarian divide. From a mediation point of view, the AL needed to communicate with the various official and non-official factions in Iraqi society in an attempt to manage the conflict.

In turn, political factions from these three Iraqi communities have developed policy towards the League along these lines as well. The Arab Sunni political factions, such as the Iraqi Islamic Party (IIP, led by Muhsin ‘Abd al-Hamid), the Association of Muslim Scholars (AMS, led by Muthanna Harith al-Dari), the General Dialogue Conference (GDC, led by ‘Adnan al-Dulaymi) and National Dialogue Council (NDC, led by Salih al-Mutlaq), have urged the AL, a predominantly Arab Sunni regional body to protect their interests. The Iraqi Kurdish factions, the KDP (Kurdish Democratic Party), led by Mas’ud Barazani and the PUK (Patriotic Union of Kurdistan) led by Jalal Talabani are wary that the League will undermine its goals of greater autonomy in Iraq. The Shiite factions, such as the Supreme Council for the Islamic Revolution in Iraq (SCIRI), the Da’wa Party and the Sadr-Trend, have formed an ambivalent relationship with the League, seeking its recognition of a Shiite-dominated Iraqi government, yet cautious of the body’s alleged support for Iraqi Sunni factions.

Just a few days after the commencement of the 2003 Iraq war, the Arab League issued a resolution condemning the “aggression” against Iraq and called for the immediate withdrawal of US and British forces from the country. The AL resolution

was adopted by all member states, with the exception of Kuwait, which expressed reservations, as it had permitted those Coalition ground forces to operate from its territory. While the League's decision did not influence other countries such as Qatar and Bahrain, which continued to allow Coalition militaries to attack Iraq, it set in motion the ambivalent relationship between the League, the US, and post-Ba'athist Iraq.

The first diplomatic crisis between the League and post-Ba'athist Iraq emerged in August 2003, when the former failed to recognize the Iraqi Governing Council, a committee of twenty-five Iraqi leaders appointed by the US Coalition Provisional Authority. The League justified its decision by stating that this particular body was unelected by the Iraqi people. The AL action was also an implicit gesture indicating that recognition of the Council would legitimize a foreign occupation of Iraq. At that juncture, Iraq's seat at the League had remained empty after the conclusion of the conflict in May 2003.

The decision touched off the tensions between the League on the one hand, and the US and Iraq's proto-government. The crisis was resolved by the first week of September, after the Governing Council was allowed to represent Iraq, albeit for a period of one year. The decision was made after Iraq's interim Foreign Minister, Hoshiar Zebari, a member of the KDP, argued Iraq's case at a ministerial meeting in Cairo, in addition to behind-the-scenes pressure from the US. Nevertheless, even after this obstacle was overcome, the Arab League refused to open a mission in Baghdad, despite repeated exhortations from the interim Iraqi government.

After accepting the Iraqi Governing Council to represent the country, tensions emerged again between 'Amr Musa, Secretary General of the League and Zebari. During a two-day summit held in Tunis on 29 March 2004, Zebari proposed a motion asking for peacekeeping troops from the Arab World to deploy to Iraq. With regards to this motion, Musa declared that it was "impossible" given that the request could only be lodged by a "legitimate government," and thus implying that the Iraqi government was still illegitimate. He said: "What is certain is that Arab troops cannot join with troops occupying another Arab country" (Middle East News Agency, MENA, 29 May 2004).¹

In June 2004, Musa stated his desire for a conference on national reconciliation, which was interpreted by some Iraqi factions as reconciliation with former Ba'athists (MENA 28 June 2004). He reiterated his objections to the deployment of Arab troops a month later, in addition to wishing all Iraqi forces to be drawn into a dialogue on reconciliation and the future, in order to "transform the resistance into an opposition" (MENA 19 July 2004).

Opposition factions in Iraq began to call upon the Arab League to intervene in Iraqi affairs. During the fighting between the US and the followers of Muqtada al-Sadr in Najaf in August 2004, one pro-Sadr cleric, Shaykh 'Abd al-Hadi al-Darraj called on the religious authorities and the Arab League and the Organization of the Islamic Conference (OIC) to quickly solve this crisis, since he alleged that there were "parties in and outside Iraq benefiting from the exacerbating situation."

¹ The Middle East News Agency is the Cairo-based news agency that reflects the views and news of the Egyptian government and reports on all Arab League activities.

Another Sunni cleric at the Umm al-Qura Mosque, Shaykh Ahmad ‘Abd al-Ghafur al-Samarra’i stressed that the only solution to that crisis was for the United States to leave Najaf and to be replaced by the UN or Arab League (*Al-Manar* Television 20 August 2004). Darraji’s call was one of the rare occasions where a religious Shiite personality would call for Arab League intervention, however Samarra’i’s position was indicative of a nascent Arab Sunni political opposition, which would demand greater League involvement to counter the influence of the US.

In September 2004 Musa caused more diplomatic sparks at a meeting of Arab foreign ministers at the League’s headquarters in Cairo, when he said:

The gates of hell are open in Iraq and the situation is getting more complicated and tense. We have to help Iraq to overcome this crisis and move events in a positive direction that could help Iraq regain its full sovereignty, fortify its unity, end the occupation and rebuild its institutions according to its free will and sovereign rights as a member state of the League.

The interim Iraqi government, at that time led by Prime Minister Iyad ‘Allawi, and the US were critical of his remarks. The interim government also accused Musa of giving de-facto legitimacy to the insurgency. During the same meeting, Musa declared: “There has to be a differentiation between clear acts of terrorism and resistance to occupation,” which was seen by some Iraqi circles as tacit recognition of the insurgent groups and failure to condemn the violence in Iraq. Musa stated that there should be a distinction between the insurgent factions: “Listen, resistance against occupation is natural, but this does not include cutting off people’s heads without any justification.” He then clarified his statement: “We should distinguish between obvious terrorist operations and resistance against occupation troops” (MENA 14 September 2004).

Tensions re-emerged in December 2004, between the AL and the interim Iraqi government, when Musa received an Iraqi delegation representing political organizations opposed to the occupation of Iraq, comprised of Arab Sunni groups that were boycotting the January 2005 elections (MENA 8 December 2004). During the meeting, Musa reiterated his proposal for holding a national reconciliation conference. Among those present was Muthanna Harith al-Dari, the spokesman for the Association of Muslim Scholars, which some Iraqis considered the leader of the “political wing” of the insurgency. Al-Dari, who spoke on behalf of what he referred to the “Iraqi National Forces,” used the meeting with the League as a venue to advance the goals of his group within the framework of national reconciliation:

The issue of national reconciliation is extremely important. What we brought to the Arab League...The Arab League is the home of all Arabs. Therefore, these suggestions that we carry as a solution for the entire Iraqi issue are based on principles. These principles include demanding a timetable for the withdrawal of the occupation forces and direct UN supervision of the political process (*Al-Jazira* Satellite Channel 9 December 2004).

An example of the criticism of this meeting can be found in an article in the Iraqi daily *al-Dustur* by ‘Ali ‘Ajam, where he labels ‘Amr Musa as a “Wailing Wall” for the insurgents. He criticized Musa for “blessing” the insurgency, which he stated

as “activity that violates the Arab League’s charter, a charter based on regulating Arab activity through governments or through organizations emanating from them.” He argued that the League had once closed its doors to the Iraqi forces opposed to the Saddam Hussein government, yet, “it seems to be lavish in organizing warm meetings with ‘opponents of the occupation and the Iraqi government.’” ‘Ajam criticized Musa’s most recent “guest,” al-Dari from the AMS, which he termed the “political face of violence in Iraq” (*Al-Dustur* 6 January 2005).

A few days before Iraq’s January 2005 elections, Musa, at the World Economic Forum, warned that Iraq would not serve as an example of a democratic nation in the Middle East (MENA 26 January 2005). The Iraqi reactions to Musa’s statement and the AL’s role in Iraq were mixed. Iraq’s former interim vice president, Ghazi Al-Yawir stressed on the Iraqi channel *Al-Sharqiyya* his nation’s wish for moral support from the League which he implied was still forthcoming (*Al-Sharqiyya* Television 24 March 2005). Similar comments emerged from non-aligned media organs, such as the independent paper *Al-Mashriq*, criticizing the AL for ignoring the “bloody events” that have been taking place in an “Arab country called ‘Iraq’” (*Al-Mashriq* 30 May 2005). Newspapers allied to the KDP were more scathing in their response to Musa’s comments and the League in general. One commentator in the paper *Khabat* wrote, “In addition to the weakness and shortcomings, the League is very much against the Kurds. At no time has it tried to find a right solution for the Kurdish problem” (*Khabat* 19 May 2005). *Al-Ittihad*, a paper aligned to the PUK featured a commentary by journalist ‘Abd al-Hadi Mahdi, writing that the Iraqi government after the January elections was the only elected body among the states in the Arab League, and thus served as the reason why the body was critical of the vote. He criticized Musa’s comments at the World Economic Forum and his policy towards Iraq: “Once he is positive and often negative and against the Iraqis and their government” (*Al-Ittihad* 26 May 2005). Other opinions in the public debate were more extreme. An article by Hadi al-Maliki in the Iraqi National Congress’ newspaper, *Al-Mu’tamar* suggested that Iraq join NATO and withdraw from the League altogether (*Al-Mu’tamar* 7 May 2005, 6).

Ascertaining the motivations behind Musa’s statements is difficult. His statements can be analyzed as his personal interpretation of what it meant to apply the Arab League charter to Iraq, his expression of what he perceived as Arab public opinion, or simply his own opinion. Nevertheless, his speaking style and choice of words have generated resentment in Iraq. On a greater level, the difference of opinion between Iraqis and Musa represent two clashing narratives: the first meant to buttress a struggling democracy, and the second aimed at maintaining the regional status quo.

By May 2005, tensions seemed to ease as the Arab League began holding discussions with the interim Iraqi government about sending a resident mission to Baghdad to support an “Arab presence in Iraq,” after it came under increasing pressure from various Iraqi officials who had criticized the regional body for failing to support its political process. By June the two parties agreed to open a permanent representative office in Baghdad. In October 2005, the AL sent its first delegation to Iraq resulting in an official agreement to hold a conference on Iraqi national reconciliation.

The League and Iraq's Constitution

Despite these developments, tensions emerged once again as the Iraqi interim government drafted its Constitution in August 2005. The Constitution drafters struggled with defining Iraq's relation to the Arab World. Kurdish factions in the Constitutional Committee objected to wording that signaled Iraq as an "Arab state" or part of the "greater Arab nation", and were keen to have the document state that the Arabs in Iraq were part of the Arab nation, but Iraq as a whole was not. Arab Sunni factions were not prominent in the parliamentary Constitutional Committee after they had boycotted the January 2005 elections for a transitional National Assembly. Due to this exclusion, they pressured the League to take a more active role in the writing process. Musa subsequently labeled the draft "dangerous" for its failure to describe Iraq as an "Arab" state, and declared that the "entire Arab Nation" opposed the Iraqi constitution and argued that its clauses calling for a federal Iraq was "a recipe for chaos" (MENA 29 August 2005). Al-Yawir, in his capacity as Iraq's interim vice president, responded that there was a need to delete this phrase "the Arabs in Iraq are part of the Arab people" because it did represent Iraq's identity: "We say that Iraq is part of the Arab and Muslim world. 'World' meant not as a race but as culture, geography, and history. Iraq is an active part in the Arab World" (*Al-Sharq al-Awsat* 27 August 2005).

Iraq's President and head of the PUK Jalal Talabani tried to assure regional audiences that the Kurds did not seek to use the Constitution as a means to exclude Iraq from the Arab World. He said: "Iraq is an Arab country and a founding member of the Arab League. We do not deny this" (*Al-Arabiyya* Television 28 August 2005). Iraq's transitional Prime Minister at that time, Ibrahim Ja'fari, announced that an additional clause to the charter would be added as a compromise, namely: "Iraq is a multi-ethnic, multi-religious, and multi-sect country. It is a founding and an active member of the Arab League and committed to its charter and it is part of the Islamic world" (*Al-Iraqiyya* 12 October 2005).

The constitutional phrasing of Iraq's Arab identity bore directly on the Arab Sunni's minority position in Iraqi society, and they rallied to protest against it. Since the Arab Sunnis are a minority in Iraq, some of their factions attempted to connect their cause with the greater Arab Sunni world as a means of empowerment. Prior to the constitutional debate, the Iraqi Islamic Party took issue with the final wording of article three of the constitution: "Iraq is a part of the Islamic World," as indicating that Iraq would be detached from its "Arab nation and Arab brethren" (*Dar al-Salam* 6 October 2005). 'Adnan al-Dulaymi, leader of the General Dialogue Conference, made the following statement to encourage greater AL involvement in the constitutional process: "I appeal to the United Nations and the Arab League and to Muslim rulers to be alert to what is happening in Iraq in the way of malice and judiciary directed against Sunnis" (*Al-Ra'y* 25 August 2005). While prominent Sunni leaders called on both the UN and the AL to intervene on their behalf, they were the only factions to call upon the League to have a say in this process, a move resisted by the Kurdish and Shiite factions.

Iraqi Opinions towards the Arab League's Initiative

In June 2005, Musa indicated his willingness to visit Iraq "at any time" on behalf of the League (MENA 12 June 2005). On 9 October, an AL delegation visited Iraq to prepare for Musa's actual visit. During the five-day visit, the delegation had to divide into several teams to be able to meet all the parties and encourage support for the national reconciliation conference (*Al-Ahram* 11 October 2005). On 11 October, the delegation encountered its first obstacle when one of its motorcades came under attack. This did not deter Musa from going through with his plans to visit Iraq. In addition to armed attacks, Musa came under verbal attacks for his alleged plans to visit Saddam Hussein in prison during his trip to Iraq, an allegation explicitly denied by the AL (MENA 11 October 2005). Musa's trip to Iraq took place in late October 2005 and generated varied opinions among Iraq's political factions. The following survey is designed to include the media items and public statements that represent general political parties and their opinions *vis-à-vis* the League.

Iraqi Arab Shiite factions have been wary of the AL as they deemed it an organization that condoned Saddam Hussein's "oppression" of the Shiites. They argue that the AL, while claiming to be a body that represents all Arabs, is unwilling to condemn the post-war violence that has for the most part targeted Arab Shiite civilians. To overcome these perceptions, during his trip Musa sought out Grand Ayatollah 'Ali al-Sistani's blessing of the national reconciliation conference, which the cleric granted (MENA 22 October 2005).

Nevertheless, his blessing did not prevent negative remarks from being expressed through the organs of Shiite civil society, nor muted criticisms made by those Shiites in the Iraqi government. Ibrahim Ja'fari, like Talabani, had to balance the interests of his sectarian constituencies with that of the forming Iraqi state. Ja'fari expressed reservations about holding a national dialogue council in Egypt, arguing that the conference should not be outside of Iraq (*Al-Sharqiyya* Television 22 October 2005). Shiite officials in the government welcomed the AL as their diplomatic responsibilities would require, but unenthusiastically. Views from the Shiite media ranged from conciliatory articles to those critical of Musa's trip. Salim Rasul, a columnist for the Da'wa Party paper *Al-Bayan*, wrote that the AL should listen to "all Iraqis," alluding that the organization had an Arab Sunni bias (*Al-Bayan* 12 October 2005). 'Ali al-Ansari writing in the Iraqi Hizbullah's paper *Al-Bayyina* took a more critical view of the AL efforts, where he alleged that Musa feared democracy in Iraq because it would threaten other "Arab regimes" (*Al-Bayyina* 19 October 2005). Unlike their Shiite elected representatives, the media allied with their political factions were more outspoken in their critiques of the League's lack of engagement prior to Musa's visit and stated their belief in the AL's alleged anti-democratic and pro-Sunni bias.

Ethnic Kurds remained skeptical of the pan-Arab body, and it has received sharp criticisms from elements of Iraqi Kurdish society for its alleged bias towards the Arab Sunni opposition in Iraq. A Kurdish member of the Iraqi National Assembly, Firyad Rawandizi, in a statement to the KDP's Arabic paper, *Al-Ta'akhi*, called for an apology from the League (*Al-Ta'akhi* 19 October 2005). *Kurdistani Nuwe*, a newspaper published in Sorani Kurdish by the PUK, also exhorted that Musa visit Halabja and apologize to the Kurdish people for turning a "blind eye" to the chemical

weapons attack there in 1988 (*Kurdistani Nuwe* 20 October 2005). On the other hand, a “call-in” to an Iraqi talk show from Irbil on the *Al-Fayha* channel called on Kurdish leaders *not* to allow the Arab League delegation to visit Halabja, and criticized the “silence of the Arab League when the Iraqi people were killed” (*Al-Fayha* Television 8 October 2005). A commentary in Irbil’s *Govari Gulan* stated that Musa’s visit was to “restrict democratic process in Iraq” (*Govari Gulan* 20 October 2005). Kurdish public opinion has been consistent and uniform in its criticism of the League, which it accuses of nostalgia for the former regime and of seeking to limit the Kurdish desire for autonomy within a federal Iraq.

Despite Musa’s visit to the Kurdish Autonomous Region during his trip in October 2005, the criticism would continue, especially with regard to his suggested reconciliation conference. Nevertheless, Talabani, in his capacity as Iraq’s President, voiced support for the Arab League’s Initiative. During a joint news conference with the Secretary-General, Talabani said: “As long as we have a federal state there will be no danger on Iraq,” which was most likely an indirect response to Musa’s fears that a federal Iraq would lead to the collapse of the Iraqi state. Talabani greeted Musa’s proposal with the guarded optimism most appropriate for a representative of the Iraqi state. Yet the media outlets affiliated with the two Kurdish parties failed to endorse the League’s proposed conference.

Musa paid a visit to the Kurdistan Regional Parliament in Irbil on October 23, and during his address to the body he stated that: “Kurdistan is not an important part of Iraq alone, but of the Arab World and the Middle East,” and stressed that ties exist between the Arab and Kurdish people through “two interlaced cultures” (*Al-Sharqiyya* Television 23 October 2005). In Irbil’s *Jamawar*, an article featured the headline: “In a quiet parliament, ‘Amr Musa mentions Kurdistan as part of the Arab World.” The author questioned how Musa could reaffirm that Kurdistan is part of Iraq and is part of the Arab and Islamic world without any Kurdish MP objecting (*Jamawar* 24 October 2005). *Al-Ta’akhi* featured an editorial stating that Musa’s comments should not be misinterpreted, and it said, “out of utmost amity and not dismissal” (*Al-Ta’akhi* 24 October 2005). These statements were few among general Kurdish opinion in the media, which failed to forgive Musa’s past “anti-Kurdish biases,” despite his implicit efforts to recognize the Kurdish region as a formal entity.

On the other hand, Arab Sunni political factions welcomed Musa’s initiative, as their calls for greater AL involvement in Iraq’s politics were finally being realized. While in Iraq, Musa met again with Harith al-Dari of the Association of Muslim Scholars (AMS) (MENA 21 October 2005). Al-Dari stated his readiness to participate in the Arab League’s initiative and hoped to use the meeting to achieve his goals, including a timetable for a US withdrawal and abolishing all militias (*Al-Ahram* 18 October 2005, 10).

The Sunni parties have realized that the League is the only regional body that could bestow legitimacy on their demands, but given that some of these factions are indirectly affiliated with the insurgents, Kurdish and Shiite groups have accused the League of using its initiative to empower the Sunni opposition. Third party intermediaries have the option of empowering a weaker party in a conflict, so that it can have an equal footing in any dialog or peace process. Yet the groups in power

have assumed that the League in the process would also have to empower the former Ba'athists, a notion that is unacceptable from their side.

The “insurgents” or “resistance” in Iraq can be divided into three sub-groups. The first would include the former Ba'athists, the second Iraqi nationalist groups with no ties or allegiance to the former government, and third, the groups allied to al-Qa'ida.

The Ba'athists have been critical of the League's initiative at national reconciliation. In a statement released to the paper *Al-Quds al-Arabi* they declared the League was being manipulated by the US. They argued that the conference sought, “negotiations and the political solution” which interferes with the Ba'athist goals of “jihad and full and total liberation of our homeland.” The League is sarcastically “thanked” it for its help to the Iraqi nation (*Al-Quds al-Arabi* 11 October 2005).

In a second letter released to the newspaper, the Ba'athists claimed that Musa was instructed by the US State Department to visit Iraq and claimed: “He therefore achieved what we had previously warned against, namely, the merger with the occupation's political, security, and other plans at the Arab regional order as represented by the Arab League.” They took particular issue when Musa praised “the new Iraq” in the Kurdish regional assembly, which won him approbation from the Kurdish factions, but condemnation from the Ba'ath (*Al-Quds al-Arabi* 25 October 2005).

Shaykh Majid al-Ku'ud, leader of the Iraqi Flame (*Wahj al-'Iraq*) Movement and spokesman for the Islamic Nationalist Patriotic Front in Iraq, criticized Arab Sunnis like Mutlaq for taking part in the conference which he called a “malignant game” and for “implementing the desires of the Americans” (*Al-Arab al-Yawm* 27 October 2005, 12).

Abu Mus'ab Al-Zarqawi, the deceased Jordanian national that headed the Al-Qa'ida Organization in Iraq mocked the League. In a statement he declared, “This is the League that did not care about the hundreds of thousands of Muslims killed in Iraq under the embargo and chose to comply with the international laws and resolutions of the non-believers” (OSC Report, GMP20051018396002, 18 October 2005).

The insurgent groups all have critical views of the AL's initiative, yet if the body aims to reconcile the factions in Iraq and end the violence, it would have to incorporate the aforementioned organizations which the incumbent Iraqi government is loath to do. The Sunni political groups argue that they can control the insurgency, yet elements from the three factions have denounced the very Arab Sunni groups that are taking part in the reconciliation effort.

Assessing the Arab League's Initiative in Iraq

The samples from the Iraqi media, featuring AL and Iraqi government statements, as well the general discourse emanating from the Iraqi public reveal several emerging themes. The conflicting Iraqi actors utilize defensive discourses, not only in regards to the League, but in response to the situation in Iraq. Shi'ite and Kurdish parties stress their victimization under the Saddam Hussein government and conflate the Arab League with a general Arab silence as the former dictator conducted widespread abuses against these communities. The symbolic collective trauma for the Kurds is

the chemical attack against Halabja, which raised little outcry in the Arab World. The Shiite also depict themselves as the victims, particularly as they are a target of Al-Qaida in Iraq. Their discourse also conflates the Arab League with a perceived Arab regional order that has turned a “blind eye” to the activities of Arab fighters coming into Iraq and believed responsible for much of the post-war violence. The Arab Sunni parties on the other hand depict themselves as the victims of US violence as well as a growing Iranian Shiite influence in their country and sought out the League to counter these developments. All the parties have proven adept at using the media to express their views of the League, or their platforms in general. *Al-Jazira* emerged as a regional platform for the Arab Sunni opposition to express their views when the state-owned *Al-Iraqiyya* refused to give them air time. Iraqi officials also use *Al-Jazira* to express their views, as well as the state owned *Al-Iraqiyya* or the independent *Al-Sharqiyya*. The extreme insurgent elements have found a means of communicating their opinions of the League via the Internet.

Having examined the discursive dynamics between the League and the Iraqi actors, one can place this debate in the greater literature on regional organizations and conflict resolution. The task of national reconciliation in Iraq, using the established conflict resolution method of seeking to eliminate the underlying causes of conflict, may be beyond the League’s capability. The League can play a role in conflict management, which seeks to create a favorable atmosphere towards the eventual resolution of conflict. Bringing these factions together in a conference had not been done successfully before and it was one of the first steps in creating a mechanism to facilitate dialogue between the Iraqi factions.

However, some scholars in this field argue that a third party needs to be impartial and disinterested to serve as an intermediary. Musa’s critiques of the Iraqi constitution and his hesitation to condemn the violence in Iraq alienated the League from segments of Iraqi public opinion. Had the Secretary General done so after May 2003, perhaps it would have emerged as a more neutral intermediary between the Shiite-Kurdish coalition and the Arab Sunni opposition. The media survey has demonstrated that the Arab Shiite and Kurdish factions have not bestowed impartiality upon the League, even though they agreed to work with it after Musa’s visit in October 2005.

Regional organizations can intervene at various stages of a conflict, such as the latent, escalation, peak, or de-escalation stage. The conflict between Iraq’s communities could be categorized as an escalation phase as armed militias are engaged in a low intensity war with each other. I would define a peak of conflict as a civil war between the three communities, coupled with the collapse of central authority and state military, with the security forces taking sides with their sectarian or ethnic co-religionists—a state of affairs that arguably has not yet developed in Iraq. The League’s attempt to intervene before a civil war possibly emerges would suggest that it intervened at the most opportune time. Iraqi critics argued that the League failed to seize the initiative in expanding their presence in Iraq after the end of the 2003 Iraq war and should have intervened before the insurgency erupted. While the AL had objections to the US occupation, it could have established a presence in Iraq to demonstrate solidarity with the Iraqi people, some argued. Doing so may have given this regional organization moral authority among the Sunnis, as well as Shiites and Kurds. The literature states that third parties tend to be more

successful in preventing conflicts in their early stages before they escalate into a violent conflict, which the League failed to do.

Examining the League's intervention through the structuralist paradigm, which stresses that a successful intervention should occur at the point when a conflict has reached a "mutually hurting stalemate," brings up the question of whether the violence in Iraq has reached this point. The fact that the incumbent Iraqi government and the opposition groups speaking on behalf of the insurgents are willing to communicate with each other indicates that they have realized that they cannot score a decisive victory against the other through military means, which would conform to the definition of a "mutually hurting stalemate." It remains to be seen whether the League will be the most effective body in bringing the two sides together according to the structuralist paradigm, which stresses that a third party employ side payments, penalties or sanctions to get the parties to see the utility of a negotiated settlement (Crocker, Hampson and Aall 1999, 21). The League has no mechanism to enforce sanctions, nor the resources to give financial incentives for the parties to engage in a negotiated settlement.

The League could serve as an effective mediator according to the social-psychological paradigm, which focuses on the necessity of the third party mediator to change the conflicting parties' perceptions, attitudes, values and behaviors. The scholars in this group stress the need of consultative meetings, problem-solving workshops or conferences, and conflict resolution training. The AL has sought to use a conference to achieve this aim. However, the social-psychological approach also stresses that a third party will fail in effectively de-escalating a conflict if it relies on a single intervention strategy, which the League is doing as it placed its hopes squarely on this conference.

Conclusion

This chapter sought to highlight key rhetorical statements of Arab League's General Secretary, in order to elucidate a larger pattern of this organization's behavior. In other words, an organization that was impotent during two wars against Iraq would find its regional role via identity politics. Ensuring the "Arabness" of Iraq, a pivotal state in the Arab region, could only be guaranteed by maintaining the integrity of the state. It has sought to prevent the break up of Iraq, whether it is through a constitutional framework that allows for a federal Iraq, or a violent civil war. Ironically, in advocating the reconciliation process, the League had to recognize and engage in dialogue with the very factions that threaten to tear Iraq apart. The Arab League, as a third party, had stated its goal of hosting a reconciliation conference to diffuse the tensions in Iraq between the incumbent government and the Iraqi forces, otherwise referred to as the "insurgents," "the resistance," or "the opposition." The situation in Iraq provided the League with an intermediary role unprecedented since the Lebanese Civil War. The Arab League as a regional organization served as a third party with its own values, interests and objectives in the settlement of a conflict. In the case of Iraq, however, a survey of the local media reveals that the AL had alienated some of the most important parties to the conflict. The regional body's

support rests on a narrow base in Iraqi society that has been deemed the political wing of the insurgency. The timing of Arab League's intervention worked against it, as its involvement in Iraq came too late, according to some actors among the Shiite and Kurdish political factions.

This chapter's Iraqi media survey shows that the role of the Arab League in Iraq evoked a robust debate among Iraqi political factions. It also demonstrates how political narratives in the "new Iraq" have crystallized along ethno-sectarian lines. Few Shiite or Kurdish writers would dissent from the anti-League current even in media outlets independent from their political establishments. The few voices in support of the League's efforts belonged to the Sunni opposition groups that have the most to benefit from the body's reconciliation agenda.

Even if the Arab League has had a checkered history with the nascent Iraqi state, it was the only actor that acted on the need for national dialogue more than two years after the fall of the Saddam Hussein government. Attempts at reconciliation within nations are foreign to the Arab World. Various efforts occurred in Lebanon after the civil war, but on a track-two or informal basis and never on a national level.

In November 2005 political parties and factions representing Iraq's Shiites, Sunnis, Kurds and Turkmens met at the Arab League headquarters in Cairo for a preparatory meeting to organize an Iraq Reconciliation Conference. The meeting was fruitful in that it gave an opportunity for these Iraqi factions to vent their grievances through face-to-face discussion rather than violence. There was a general consensus among the parties that after the Cairo meeting a reconciliation conference would be held in Iraq, however, this process was overshadowed by events in Samarra in early 2006, where the destruction of a sacred Shiite shrine sparked a bloody cycle of sectarian violence. Furthermore, the decentralization of Iraq continues, as a Regions Law passed in October 2006, allowing Shiite political parties the option to form a federal state in the south. This is something that is seen very negatively by the League, which insists that a federal Iraq could lead to the collapse of what it deems an Arab state. Even the Prime Minister, Nuri al-Maliki started to appreciate the importance of reconciliation and announced his own plan to initiate this process. While a conference for the specific sake of reconciliation was not held, talks on reconciliation between the government and opposition parties have occurred. Around 2004 to 2005 the notion of reconciliation between Shiite and Kurdish parties on one hand, and Iraqi insurgent groups and former Ba'athists on the other was extremely contentious among both sides. However, after years of post-war strife both parties reluctantly admit that there is a need for reconciliation, an indirect acknowledgement that the Arab League as a regional organization had the foresight to realize the importance of this issue for Iraq's long term security.

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Chapter 9

Regional Organizations, Regional Identities and Minorities: The Arabs and the Kurdish Question

David Romano and Lucy Brown

Introduction

The Arab League (formally known as “The League of Arab States”) stands out as perhaps the best known regional organization in the Middle East. Many scholars claim that regional and international organizations can be important agents of liberalization and democratization, particularly as they allow domestic elites to find support for such policies in the international arena (Pevehouse 2005). Unlike most regional organizations in other parts of the world, however, the Arab League suffers from two basic conditions that prevent it from acting as an agent of liberalization or democratization in the Middle East: First, its membership (with the very recent and tentative exceptions of Post-Saddam Iraq and a nascent Palestine), is composed exclusively of states with authoritarian governments. Second, the Arab League’s core principle of membership derives from an ethnic nationalist identity—being Arab—rather than civic or geographic inclusion within a region.

After providing a brief discussion of the Arab League’s history and structure, this chapter will examine how these two conditions prevent the Arab League from exercising a liberalizing or democratizing influence in the Middle East. Although the League has played a constructive role in a few limited circumstances, such as helping to broker the Ta’if Accords in Lebanon, the organization has also had a very negative impact in other situations—particularly as regards Iraq. The Kurds, in particular, remain wary of Arab League involvement in Iraq today. The remaining portion of this chapter will therefore examine the Arab League’s historical relations with the Kurds, and problems that arise when the regional group inserts itself into Iraqi politics.

Foundations of the Arab League

The League of Arab States, more commonly referred to as the Arab League, was first conceptualized as a response to calls for unity among mainly Arabic speaking nations in the early 1940s. The British encouraged the idea, looking for a strong ally in the war against Germany. Previous proposals for the creation of an Arab

federation were rejected because of inter-Arab rivalries. Sovereign Egypt and Iraq, as well as Saudi Arabia, were vying for preeminence, and the regional organization plans put forward by each were seen as self-serving. Eventually the idea of a league of Arab states, structured to coordinate official policies, and in which each member participated on equal footing, gained popularity (Choueri 2000, 110). In Alexandria in 1944, the shape of the Arab League was finalized and agreed upon, and on 22 March 1945 representatives from Egypt, Iraq, Lebanon, North Yemen, Saudi Arabia, Transjordan and Palestine met to ratify the creation of the League of Arab States. Unfortunately for the Allied powers, their aspirations for a united Arab Middle East were only realized two weeks before the end of World War II. With the addition of fifteen new members between 1945 and 1993 (the Comoros joined last), the Arab League now numbers twenty-two.

Fred Lawson's chapter "Comparing Regionalist Projects in the Middle East and Elsewhere" concludes by proposing four "analytical dimensions" by which to characterize regional projects. These are: 1) the degree to which states cede to a multilateral institution the authority to make binding policy decisions regarding a significant number of issue areas; 2) whether the multilateral institution operates on the basis of general consensus, a majority vote of member-states or an arrangement (either formal or informal) whereby some subset of member states is allowed to exercise a veto; 3) a measure of the multilateral institution's stock of incentives to secure member cooperation in region-wide programs and 4) the institution's ability to support and encourage increased levels and/or ranges of economic interdependence among member states.

As the following section of our chapter will show, the Arab League, judged against the above indicators, scores rather low on the scale of regionalization. In deference to state sovereignty, no member state is actually bound by policy decisions; the principle of unanimity essentially accords all countries veto-power, leaving the League in a near perpetual state of indecision (Sid-Ahmed 2003); and economically any effort to integrate has proved insubstantial. Regarding incentives to ensure member cooperation in region-wide programs, in practice, no substantial incentives for such cooperation exist within the Arab League. Rather, the League provides an institutional framework, which facilitates cooperation for member states that desire it. The League's failure to engage in collective conflict management after Iraq's invasion of Kuwait in 1991 (discussed below), testifies to this.

As an organization, the Arab League works with basic democratic principles. The crux of the League, the Council, is made up of a representative from each member state and each member, no matter its political or economic influence, is accorded one vote. This reflects the fear of smaller and less influential members that they be subsumed and dominated by the more powerful. The importance of individual state sovereignty runs throughout the Charter. For example, with a few exceptions, a majority vote decides the official position. However, this is countered by a rule that stipulates that a decision is only binding for those members that voted in its favor (BBC News 2007a). A majority of two thirds elects the Secretary General whose primary responsibility is to draw up the budget (Hudson 1999, 12). On the other hand, unlike the European Union, the citizens of member states cannot vote for their premiers, a sign that democracy in the Arab League applies only to the League's

highest administrative functions. Furthermore, many regional organizations have mechanisms in place designed to reinforce democracy at the national level. The European Union, as well as the Organization of American States, insists that new members meet rigorous democratic criteria before they are allowed entrance. The African Union uses a peer review system whereby members judge each other's democratic progress. Although democracy is not a necessary requirement, its evolution is expected. The Arab League, however, has no such mechanism in place.

While paying little heed to democratic reform, the charter of the League of Arab States describes a regional organization more concerned with ethnic national culture than most other recent regional entities. It looks to coordinate not only on issues of economics and finances, but also communications, cultural affairs, nationality (including passports, visas, execution of judgment and extradition of criminals), social affairs and finally health. It is in these spheres of "low politics" that the League has seen some success. Scholars frequently travel between Arab countries, and richer members often fund cultural events and artists in poorer areas (Al Jazeera. net 2004a).

Finally, the League envisioned for itself a role of arbitration. Disagreements between two or more member states have to be brought to the Council, and any decision come to in the absence of those directly involved is in principle binding. A fundamental justification for the League was to make war between two Arab states impossible. Hence Articles 5 & 6 of the League's Charter forbid the use of force in settling a dispute between two member states.

While the stated goals of the Arab League encompass a wide range of areas, the creation of Israel in 1948 focused most of its efforts on supporting, sometimes militarily, the Palestinians' fight to regain their homeland. In 1948, 1956, 1967 and again in 1973, member states fought unsuccessful wars against Israel. The Palestine Liberation Organization (PLO) was admitted as a full member of the Arab League in 1974, despite the continued failure to secure Palestinian statehood (at the time of the League's founding, the PLO was allowed a representative and a vote in the council, but was not a signatory of the Charter, since there was no Palestinian state). It seems that the sole issue that members of the Arab League could be made to agree on was the illegitimacy of the state of Israel. The economic boycott on Israeli goods remains the only protracted policy agreed upon and largely adhered to by all Arab League members until 1980.

Economically, integration has largely failed.¹ The Common Arab Market, created in 1964, accomplished nothing. Attempting again to achieve an Arab trading bloc, 1981 saw the creation of the Agreement for Facilitation and Promotion of intra-Arab Trade. Supposed to eliminate tariffs and non-tariff measures on manufactured and semi-manufactured goods, this new initiative also experienced very limited success. The most recent regional trading bloc, the Arab Free Trade Area, was initiated in 1997 in an effort to counter the economic power of the European Union (Zarrouk 1998, 3).

¹ See the chapter by Anja Zorob in this volume for a more detailed review of economic cooperation efforts in the region.

Many economists and academics claim that economic interdependence discourages war (Oneal et al. 2003). Aspirations of avoiding war between Arab member states were dashed, however, with Egypt and Saudi Arabia's involvement in the Yemen during the 1960s (indirect war), and when Iraq invaded Kuwait. Many see the crisis in the Gulf as both signaling and epitomizing the futility of the Arab League as a tool for solving inter-Arab state conflict. Up to this point, the League had only supported member states in confrontations with non-member states.

The Second Image

Liberal scholars of international relations posit that international organizations can change the preferences of state actors and foster cooperation (Keohane 1995), or even assist domestic elites in promoting democratization (Pevehouse 2005). Hence international organizations can become something greater than the sum total of their members. They can reverse the "second image" (whereby domestic politics determines a state's foreign policy) and impact the internal politics of their members (the "second image reversed").

While this may hold true in certain cases, the nature and founding principles of specific international organizations, derived from the nature of the founding members of such organizations, play a crucial role in determining if such a dynamic can unfold. In the case of the Arab League, all the founding members of this organization were (and, with the very recent and tentative exceptions of Palestine and Iraq, continue to be) authoritarian governments. As a result, the Arab League never exerted any liberalizing or democratizing pressure in the Middle East. On the contrary, the organization has served its members as a shield against both domestic and international pressures to liberalize and democratize. From the founding of the League up until the present day, the organization consistently failed to criticize any Arab country for human rights violations or domestic abuses in general. Unsurprisingly, authoritarian governments dwelling in glass houses do not wish to throw stones at the glass dwellings of their neighbors. Even when domestic opponents of a regime were Arab as well, such as the Muslim Brotherhood's 1982 revolt in Syria, the League remained silent as Syrian President Hafez al-Assad surrounded Hama and slaughtered some 20,000 civilians. In the fall of 2005, the Beirut-based *Daily Star* (11 October 2005) lamented:

During Moussa's tenure, the leadership of the Arab League has been content to remain in their air conditioned salons discussing their pipe dreams of Arab nationalism while allowing crisis after crisis in the Arab World to go completely unaddressed. The Arab League did not utter a whisper of condemnation over the killing of thousands in Darfur by the Sudanese government and its allied militias. The Arab League did nothing to reduce the tensions between Syria and Lebanon after the assassination of Prime Minister Rafik Hariri. Rather, time after time, the Arab League has been guilty of extreme negligence and irresponsibility. Such inaction defies the notion of Arab cooperation, the ideal upon which the Arab League was created.

Whereas organizations such as the European Union (EU), the Organization of American States (OAS), and the Organization of African Unity (OAU) regularly do address issues of democracy and political freedoms within their respective regions and abroad, and even mount regional peacekeeping missions, the Arab League has generally failed to adopt such roles.² Instead, the League pursued economic cooperation among its members, sought to protect its members from outside interventions, and lastly, worked ceaselessly to promote Palestinian aspirations and criticize Israel.

Hence ruthless dictators like Iraq's Saddam Hussein found no cause for worry from the League, even as his regime slaughtered or expelled tens of thousands of Iraqi (Shiite) Arab brethren in the 1970s, and then again in the 1990s. In May 1990, an Arab League summit held in Baghdad instead vociferously criticized Western attempts to prevent Iraq from developing advanced weapons technology. Just three months later, the League had to meet again at an emergency session due to Iraq's invasion of Kuwait—which only 12 out of the League's 20 attending members agreed to condemn.

The Problem with Ethnic Nationalist International Organizations

An international organization founded on the basis of religion, ethnicity, or language is by nature insular and exclusionary to those falling outside the specified and generally immutable membership criteria. At their best, such organizations can promote culture and cooperation between their members. This would include, in addition to the Arab League, examples such as the British Commonwealth and La Francophonie. At their worst, such organizations can shield repressive regimes, work to cover up oppression of "out groups," and hamper the evolution of political systems based on multiculturalism and accommodation between various sectarian groups.³ A brief examination of the Arab League's record on Iraq provides a very illustrative example of international organizations at their worst.

The British created Iraq out of three Ottoman administrative districts (*villayets*)—Mosul, Baghdad and Basra. The majority Kurdish inhabitants of the Mosul district gave many indications of not wishing to be included in this new British creation, including a number of revolts in 1919 and the 1920s alone (Romano 2006, chapter 6). British colonial administrators of the new Iraq appeased Kurdish fears by promising to base the new state on both Arab and Kurdish identities, with guaranteed autonomous administrative, cultural and linguistic rights for the Kurdish minority of some twenty per cent of the new Iraq's population (McDowall 1997, 169). These promises were reneged upon. Iraqi Kurds continued to display their reluctance to being controlled by Arab nationalist in Baghdad through a continuous series of

2 Lebanon stands out as an exception, with Arab League peacekeeping forces (mostly Syrian) deployed there in 1976, and the League assisting with the signing of the Ta'if Accords in 1989.

3 Similarly, the European Union's tacit Christian identity and the reluctance of many to admit Turkey, a Muslim state, might hamper a member state's domestic and international inter-faith relations.

revolts from 1932 right up until the creation of the Iraqi Kurdish Autonomous Zone in late 1991. The slogan of the Kurdish rebels was “autonomy for Iraqi Kurdistan within a democratic Iraq,” rather than a separate Kurdistan (Romano 2006, 305).

Right up until the fall of Saddam Hussein’s regime in 2003, Baghdad’s response to Kurdish unrest in northern Iraq was repression rather than accommodation and the politics of inclusion. In 1987–88, this repression took its most brutal form in the genocidal *anfjal* campaigns and the use of chemical weapons on Iraqi Kurdish towns and cities (Makiya 1992). At the same time as Saddam Hussein’s regime busily exterminated more than a hundred thousand civilians in the hills of Iraqi Kurdistan, the Arab League unanimously endorsed in 1987 a statement on “Iraq’s defense of its legitimate rights in its dispute with Iran” (BBC News 2007b). The Arab League’s members did not stop with a simple crime of omission regarding the ongoing genocide in Iraqi Kurdistan, however—Kuwait went as far as to claim that international media were fabricating reports of Iraqi genocide (Entessar 1992, 139).⁴ Less than three years later, the Kuwaitis were invaded by Iraq and quickly changed their position on the Iraqi Kurdish issue. Any international attempt to develop a coordinated response to Iraq’s 1987–88 genocide would have no doubt elicited the League’s strident objections, if things at the time had ever progressed to that point.

When Iraq invaded Kuwait in August of 1990, the Arab League failed to develop a coordinated effort to deal with the crisis. It necessitated the intervention of the United States and a large international coalition, in which some but not all Arab League states participated, to eject Saddam’s forces from Kuwait. The failure to develop an “in house” Arab response to the crisis, and the resulting presence of “infidel” troops on the Arabian peninsula, formed one of Ossama bin-Laden’s core grievances against the Saudi government, contributing to his metamorphosis from Afghan-Arab Mujahadiin to international Jihadist. Once Saddam’s forces were expelled from Kuwait, the Arab League lobbied Allied forces not to support the popular revolt that broke out in Iraq’s Shiite and Kurdish regions, a policy choice that allowed Saddam to crush the revolts and remain in power. In 1998, Saddam was again under protection of the League, with Secretary General Ismat Abdel Meguid condemning the “use or threat of force against Iraq,” but remaining silent about the

4 The 1948 U.N. Convention on the Prevention and Punishment of the Crime of Genocide defines genocide in the following manner: “In the present Convention, genocide means any of the following acts committed with intent to destroy, in whole or in part, a national, ethnical, racial or religious group, as such: (a) Killing members of the group; (b) Causing serious bodily or mental harm to members of the group; (c) Deliberately inflicting on the group conditions of life calculated to bring about its physical destruction in whole or in part; (d) Imposing measures intended to prevent births within the group; (e) Forcibly transferring children of the group to another group” (Article 2) (United Nations 1948). Due to the scale of the 1987–88 *Anfal* massacres (somewhere between four and five thousand villages destroyed and 100,000 and 200,000 Kurdish civilians killed, according to a host of sources including Makiya), the deliberate and planned nature of the government directed slaughter, the fact that the campaign was directed solely towards ethnic Kurds, and Saddam’s goal of clearing much of northern Iraq of Kurds (in order to put a stop to endemic Kurdish revolts there), the events of 1987–88 in Iraqi Kurdistan should be referred to as a “genocide” rather than as a “massacre.”

estimated 1000 Kurds and Turkmen being expelled monthly from the Kirkuk region by Saddam's *Mukhabarat*.

Thus a League of authoritarian states, all of which emerged from a difficult history of colonialism and imperialism, focuses on defending its members from outside interference and refuses to publicly tackle the domestic "dirty laundry" of human rights. Such an organization is unlikely to have anything to do with liberalization and democratization. State sovereignty remains much too fragile for vulnerable Middle Eastern states to adopt anything other than such a defensive outlook.

After Kurds have worked so hard to develop democracy in their small safe-haven, they are loath to fall once again under the bulwark of Arab domination and authoritarianism. In a scathing criticism of the Arab League's position towards developments in Iraq, an editorial in the daily *Al-Taakhi* (affiliated with the Kurdish Democratic Party) said on 11 August 2003 that

... since the fall of the Ba'athist regime, and the liberation of the Iraqi people from it, the Arab countries have not paid any attention to the economic, political, and security problems that the Iraqis face... But under international public opinion pressure, the Arab League established a committee to look into the horrific crimes and mass-graves in Iraq. But aside from the report about its establishment, we have not heard anything from the committee... Suddenly, the official Arab interest has escalated following the establishment of the Governing Council... and its statement about the preparations for a constitution, free general elections, and a legitimate government based on a democratic federal regime. [And] suddenly, the Committee started to check what is happening in Iraq as if it was surprised by the prospect that democracy could succeed in Iraq ... (MEMRI 2003).

The article goes on to say that since the Arab regimes were incapable of dealing with the Coalition occupation in Iraq, they reverted to attacking the Governing Council and accusing it of treason: "...This style is not alien to the local culture... the Arab countries (and the official policies of the Arab League) want any possible substitute in Iraq except democracy and free pluralism, meaning that the Iraqis should give up their aspirations for democracy... The Iraqis will not agree to this" (MEMRI 2003).

In cases like that of Iraq, however, the Arab League goes further than simply not promoting liberalization and democratization. Post-Saddam Iraq is traumatized, unstable and trying to find a new social and political *modus vivendi* to accommodate all its sectarian groups within one overarching state framework. Since its founding, Iraq has proven unable to incorporate its significant Kurdish minority into a state that envisions itself as Arab, and just when a window of opportunity finally presents itself to alter the founding myths of Iraq in a way that would be more inclusive of Kurds, the Arab League exerts pressure for official designation of Iraq as an "Arab state." The constitutional disagreements between Iraqi Kurds and Arab Sunnis revolved primarily around federalism, and whether or not the new constitution would state that Iraq was "an Arab state" or that "*Arabs of Iraq* were part of the Arab World." One can imagine how after a history of abuse and massacres inflicted upon them by Arab nationalists in Baghdad, Iraqi Kurds were anxious to remove themselves from such ascription to the Arab World.

Jalal Talabani, while diplomatically affirming cooperation with Arab allies, also questions the need for constitutional recognition of Iraq as Arab: “The other [Arab Constitutions] do not have this text... Why do they not make such a request from Sudan? Why this insistence on demanding it from Iraq? They know Iraq is a multinational country.” (Moran 2005) The kind of debates occurring on the matter in post-Saddam Iraq constitute a part of consensus and democracy building, necessary for communities to reside peacefully within the same overarching political and state system. Into this debate the Arab League imposed itself, wholeheartedly endorsing the position of some Sunni Arab groups that Iraq must be officially described as “an Arab state.” On this basis, Arab League General Secretary Amr Mousa attacked the new constitution and called it “dangerous.”⁵ The League’s thinking on the matter was identical to that of Abdallah al-Ashal, former assistant to the Egyptian Foreign Minister, writing in *Al-Ahram Weekly*:

There is no doubt that the American-designed draft Iraqi constitution is as wholeheartedly sympathetic to the Kurds as it is hostile to the Arabs, ridding Iraq of whose identity and influence was what really motivated the US invasion... It would be a wonder if Iraq remains in the Arab League, as the constitution patently aims to isolate the country from its Arab environment and as the Arab League Charter stipulates that its members must be Arab states, a character that has cultural, linguistic and ethnic dimensions. What is certain is that with this constitution, the US has scored an immense success, at great cost to itself, on behalf of Israel. It has totally fragmented Iraq and placed bitter realities before the Arab World (al-Ashal 2005).

Amr Mussa raised hackles on his October 2005 visit to the Kurdish region when he announced that “I would like to say that Iraqi Kurdistan is an important part of not only Iraq, but also the Arab World and the Middle East region.” The public was scandalized that neither Barzani nor Talabani pointed out that Kurds were not Arab and therefore not a part of the Arab World.

Kurds are aware that the acclaimed 1989 peace accord in Lebanon brokered by the Arab League resulted in the definition of Lebanon as an Arab country. As section B of the Charter stated: “Lebanon is Arab in belonging and identity. It is an active and founding member of the Arab League and is committed to the league’s charter.” Kurds and other ethnic minorities in Iraq might expect Arab League demands for a similar constitutional statement in return for League help.

Many scholars and journalists called for and welcomed recent Arab League interest and involvement in Iraq, however. They assume that the League, by way of its Arab character, its attendant knowledge of the region’s political intricacies, and the positive way that many Westerners automatically view “indigenous” regional groups, is a much better medium than any Western institution to settle the rising sectarian unrest in Iraq. Milton Viorst, for example, wrote in the *New York Times* in November 2005, that

Even more than Lebanon’s combatants, Iraq’s factions agree on one thing: they want no more Western intrusions. Although Iraqis recently ratified a new constitution, the

5 See, for instance, Sengupta (2005).

insurgency goes on. The Arab League can be America's best exit strategy. True, we would be asking Arabs to clean up our mess. But the Arab states have an interest both in America's leaving and in Iraq's cohesion. At the very least, the Taif model suggests that Arabs are likely to do better than America at getting Iraqis to rebuild their society together. The alternative, as it was in Lebanon, is more bloodshed. (Viorst 2005)

Groups more wary of Arab League intervention, particularly Shiites and Kurds, presuppose League self-interest, and assume a defensive stand against an organization that condoned Iraqi repression of minorities in the past. Viorst fails to mention that neighboring Arab states also have an interest in Sunni Arab political dominance. The growing influence of non-Arab Iran and its close relationship with Shiite Muslims in Iraq has spurred on the Arab League to take a more direct role in the development of Post-Saddam Iraq and the battle over which "sphere of influence" the country will eventually fall under. And again, the League seems to view the rival futures of Iraq as either an Arab State (and therefore a League member state) or a multi-ethnic state with Arab citizens (in which case Iraq would no longer be viewed as one of the core states of the League, and perhaps not even a state eligible for membership). In this light, the League's credentials as a nonpartisan negotiator fall short. Tentative cooperation with the Arab League may suggest the Kurds can't decide whether they fear Arab, or Iranian and Turkish interference most.

Furthermore, the Arab League speaks strongly against federalism, one element in the new Iraq that Kurds will not forfeit. We noted earlier that not promoting democratization and liberalization, not speaking out about gross human rights violations, and not providing post-Saddam Iraq with moral or material assistance, constitute crimes of omission for the Arab League, less serious than many other kinds of misdeeds. Shielding states like Saddam's Iraq from international criticism while it was engaged in campaigns of ethnic cleansing and genocide against Iraqi Kurds and Shiites, stand out as more serious transgressions. Perhaps the most damaging policies of the Arab League, however, emerged as Iraqis tried to draw up a permanent constitution in the fall of 2005.

During the constitutional negotiations, newly ascendant Iraqi Kurdish parties demanded that Iraq's 80-year legacy of Arab centrism and cultural and political domination over Kurds be ended. The Kurds insisted that two basic options lay before the new Iraq: 1) A democratic and very decentralized federation could be created, allowing far-reaching autonomy to Iraqi Kurdistan and other regions; or 2) Post-Saddam Iraq could attempt to reassert Arab primacy in the country with central government control over the Kurdish region—which would lead to renewed dictatorship, and either the breakup of the country or civil war. The Arab League's interventions on the issue, instead of promoting liberalization and democratization, exacerbated disagreements between Iraq's sectarian groups and reduced the chances for creating a more inclusive, multi-ethnic political system for post-Saddam Iraq. An Arab League delegation that visited Iraq in December 2003 likewise issued a report that condemned attempts to create "ethnic federalism" in the country (Al Jazeera. net 2004b). The League's report stated, that "Iraqis find geographical and ethnic federalism a prelude to division of the country." The League does not, however, intervene in debates regarding other countries' political systems, such as Syria's.

In what some may describe as a positive development, however, League General Secretary Amr Mousa visited post-Saddam Iraq for the first time in October of 2005 (no Arab head of state has yet visited at the time of this writing). Mr. Mousa offered to host in Cairo a “conference of national reconciliation” for Iraqis. Al-Marashi’s chapter on the “Arab League as Regional Intermediary in Iraq” offers in depth accounts of Iraqi responses to this conference, grouped by ethnicity and religion. Diplomacy of Talabani and Barzani aside, Al-Marashi sees widespread Kurdish hostility towards the Arab League and their conference. Many Kurds resolutely refuse to “reconcile” with those they see as war criminals and terrorists and prefer to call any meeting one of national “accord” or “dialog” rather than “reconciliation.”

The conference went reasonably well, however, and seems to have included some sincere attempts to help improve the situation in Iraq:

The conference appears to also have succeeded in carving out a greater role for the Arab League in Iraq’s affairs, with the final statement calling on Arab states to establish a diplomatic presence in Iraq, forgive foreign debt, and provide humanitarian and reconstruction aid. For Sunni Arab league member states, the meeting’s outcome signified an assurance on the part of Iraq’s Shi’ite-led government that Iraq would not disavow its connection to the Sunni Arab World. (Ridolfo 2005a, 2005b)

A “greater role for the Arab League in Iraq’s affairs” may not bode well, however. It may simply not be appropriate for an international organization based on the sectarian identity of some Iraqis, but not others, to pretend to play the role of a neutral benefactor or mediator. Such an approach would be akin to asking the Europe-based Kurdish Parliament in exile to mediate between Iraqi Arabs and Kurds—such mediation or assistance would obviously favor one group over others. A more appropriate venue, should Iraqis decide that they must call in outside mediators or hold conferences abroad, would be UN offices in Geneva, or the Organization of the Islamic Conference (which might cause some objections from non-Muslim and secular Iraqis, however).

Conclusion

Different paradigms in international relations view international organizations in different ways. Many scholars operating from a liberal or globalist perspective view international organizations as capable of developing a “life of their own,” which in turn changes the incentive structures of member states in usually positive ways. The realist paradigm of international relations, by contrast, generally views such organizations as little more than a reflection of the power relations of their member states, with little added value. A compromise position posits that states interested in liberalization and democratization create and join international organizations that foster these processes (along the lines of the globalist perspective), while those wishing to avoid such things create and use these organizations to deflect international criticism of their policies (along the lines of the realist paradigm). When an international organization is made up of primarily authoritarian states, the latter remains much more likely than the former.

Additionally, regional organizations based upon a sectarian identity such as ethnicity or religion may be much less likely to promote liberal norms and democratization. Because such organizations limit membership to “in-groups”, they carry with them a dangerous potential for exacerbating conflicts with “out-groups.” In the case of the Arab League, Kurdish, Berber, Turkish, Iranian and Israeli groups in the Middle East have little regard for such an organization. The Organization of the Islamic Conference likewise by definition leaves out non-Muslim groups. A much more positive regional initiative would focus on establishing organizations based on geographic membership in the region and common non-sectarian interests and identities, such as the European Union (EU), the Organization of American States (OAS), the Organization of African Unity (OAU), Association of South East Asian Nations (ASEAN), the Southern Common Market (Mercosur), or even the Euro-Mediterranean Partnership. Until such an organization is founded in the Middle East, Iraqis should not expect to find unpartisan overseers in neighborhood gangs.

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Chapter 10

Intraregional Economic Integration: The Cases of GAFTA and MAFTA

Anja Zorob

Introduction¹

In 1997 the Social and Economic Council of the Arab League (AL) approved the Executive Program to establish the Greater Arab Free Trade Area (GAFTA). To give institutionalized efforts at regionalization in the Arab World another chance after so many failed attempts in the past, it was announced to be the Arab countries' "answer" to regional and international developments and challenges. One of these challenges consists of the decision of eight AL members or Arab Mediterranean Partner Countries (AMPCs) to take part in the European Mediterranean Partnership (EMP) launched in November 1995. Accordingly, both GAFTA, and indeed the most recent regional integration agreement (RIA) among Arab countries, the Agadir Agreement signed in 2004, primarily aim at containing potential risks and negative effects which are expected to result from free trade with the European Union (EU) within the framework of the EMP. It must be doubted, however, if these agreements, and in particular the GAFTA Executive Program, are effectively able to fulfill this role based on the fact that the Program's provisions resemble no more than a scheme of *shallow* integration unable to reduce trade transaction costs connected to restrictions "behind the border." Moreover, the Agadir Agreement apparently does not add much to reduce the shortcomings of the GAFTA Executive Program and thus to complement the pan-Arab initiative on a sub-regional level in line with the principle of "variable geometry" but rather to compete with it.

The chapter is structured as follows. Part 2 introduces the potential risks and limits of South–South as well as North–South RIAs, and elaborates different levels on which South–South RIAs in the form of a free trade area (FTA) or customs union (CU) may be able to mitigate the negative effects of parallel integration with the North. Part 3 reviews previous efforts to achieve intra-Arab economic integration, and explores different constraints to explain its "failed legacy." Part 4 starts with a description of the main elements of the GAFTA Executive Program, and illustrates its state of implementation. This is followed by an analysis of the agreement's

¹ I am indebted to Simone Ruiz Fernandez and Valentin Zahrt for valuable comments on the first draft of this paper presented at the Seventh Mediterranean Social and Political Research Meeting, as well as to the editors and panel organizers Cilja Harders and Matteo Legrenzi for their excellent guidance.

chances and risks, focusing on its potential to limit the expected negative effects of the AMPCs' integration with the EU. Finally, the GAFTA Executive Program is contrasted with the Agadir Agreement to establish the Mediterranean Arab Free Trade Area (MAFTA). The chapter concludes with a summary of the main findings of the study.

Potential Benefits and Limits of Integration among Developing Countries

South–South vs. North–South Integration

There is a host of literature dedicated to the economic and political effects of regional integration. Expected positive effects include the potential benefits of trade creation, an enlarged market to realize economies of scale and scope, increased competition and learning effects as well as stimulating investment in addition to political effects like enhancing collective bargaining power. Those positive effects, however, require a set of different preconditions to be met. Of crucial importance are the degree of openness of the agreement, the existence of mechanisms for enforcing the agreement's provisions, in addition to purely political preconditions like a peaceful environment (for a more detailed discussion on potential effects of regional integration see, for instance, Baldwin and Venables 1995; Kennes 2000; Langhammer and Hiemenz 1990; Møen J. 1998; Schiff and Winters 2003). Another criterion applies to the form and content of an RIA and its degree of "deepness." Because the probability of positive effects increases with the decline of barriers to transactions and the costs to overcome them, an RIA will be the more beneficial the more it contributes to eliminate restrictions "behind the border" in addition to the reduction of transaction costs caused by "border" barriers such as customs duties (see Borrmann 1997; Schiff and Winters 2003; Zorob 2006).

Many authors agree that the overwhelming majority of South–South initiatives in the past did not meet the basic preconditions for successful regional integration, and even today face a host of problems to fulfill these requirements. One of the most prominent arguments cited against South–South RIAs claims that free trade among developing countries tends to be more trade diverting and therefore welfare reducing. North–South agreements, in contrast, are believed to offer developing countries many more benefits. Besides being less prone to the effects of trade diversion, North–South RIAs provide developing countries with better chances of realizing the dynamic effects of regional integration, which are generally regarded as being of much higher importance than purely static effects. In addition, agreements of this kind make it possible for participating developing countries to gain from non-traditional effects like locking-in reform and enhancing its credibility (see Borrmann 1997; Kennes 2000; Møen 1998; Schiff and Winters 2003). This does not mean, however, that there are no costs or risks connected to North–South RIAs. Whereas the positive impact of dynamic effects can be expected to unfold only in the medium or long term, adjustment costs RIA members have to face already in the short term or initial phase of integration. Moreover, developing countries have to cope with a loss of tariff revenues, which is usually of much higher magnitude and thus a bigger

problem to resolve than in participating industrial countries, as a result of trade diversion and because the Northern partner has been initially delivering a substantial part of the developing country's highly taxed imports.

Finally, there is a risk that the benefits of integration may be distributed unevenly among the Northern and Southern RIA partners due to location effects of integration. The core-periphery-model developed by Krugman and later refined by Venables assumes internal economies of scale and costs of transportation or, more generally, trade costs as the main driving forces of agglomeration. Based on this model, regional integration is expected to lead almost inevitably to the clustering of economic activity in the industrial centers of the North and, as a consequence, to diverging income development (for details see Baldwin 1994; Baldwin and Venables 1995; Schiff and Winters 2003). There seems to be a particularly high risk of those stimuli of agglomeration if interregional integration is accompanied by the establishment of a hub-and-spokes system. Such a system is created when smaller or peripheral countries (the spokes) try to integrate on the bilateral level with a large country or bloc (the hub) instead of setting up a genuine FTA. In a hub-and-spokes system the members will realize less collective income gain from liberalization of trade than in an FTA, and the hub will attain a larger share of the smaller total income due to the additional preferences or privileges it is granted at the expense of the spokes. The spokes, however, would be confronted with several disadvantages of which the most important is constituted by the risk of investment diversion and its marginalizing effect on the spokes. This effect may arise because potential production-cost advantages of firms located in the spokes are shrouded by higher transaction costs they are facing as a result of maintaining trade barriers among the spokes (see Wonnacott 1996; Baldwin 1994, 131-132).

South-South RIAs as Complements to Integration with the North

There are different levels on which integration among developing countries in the form of a FTA or CU might contribute to reduce the risks outlined above and, related to it, improve the prospects for positive effects of integration with the North. First, the cost-reducing and efficiency-enhancing effects emanating from increased competition and economies of scale could help Southern firms to better "prepare" for future competition, and thus to mitigate the adjustment costs to be expected from integration with the North. Second, the Southern countries could enhance their chances to benefit from improved market access to the North by first integrating among themselves. On the one hand, a liberalized intra-regional market can serve as a training ground, and thus lead to improved competitiveness before the Northern partners' market is entered. On the other hand, strengthened bargaining power can help to increase the Southern countries ability to demand better market access conditions. Third, a South-South RIA might contribute to containing the risk of a hub-and-spokes system and its negative effects on trade, investment and growth.

There are, however, several prerequisites which a South-South RIA should meet to be able to complement North-South integration on the above mentioned levels. The potential of a South-South RIA to reduce trade diverting effects, to increase efficiency and to enhance competitiveness is determined by the magnitude of

intra-regional trade relations, and the opportunities of member countries to achieve specialization in inter- and intra-industry trade. Therefore the ability of a South–South RIA to play a complementary role depends primarily on the factor endowment, level of industrial development, size and number of its member countries. To utilize this potential effectively, it is of crucial importance to what extent transaction costs in intraregional trade will be diminished beyond the elimination of customs duties. For this reason, quantitative and other restrictions “at the border,” if existent, must be abolished as well. In addition, the RIA should ideally include measures of deeper integration to reduce restrictions “behind the border,” extend liberalization to other sectors and pursue measures of cooperation in the production of joint public goods. The effectiveness of RIAs to minimize transaction costs is, in turn, crucial to counter the negative location effects of integration and diversion of investment to the Northern partner (for more details see Baldwin 1994, 48-49; Baldwin and Venables 1995, 1617-1622).

Welfare reducing effects of trade diversion notwithstanding, South–South integration should furthermore better precede an agreement with the North. Efficiency and specialization effects could be realized before entering the North–South RIA and negative agglomeration effects of a hub-and-spokes system could be held in check from the beginning. In addition, the Southern partners would be able to rely on strengthened bargaining power in negotiations with the North. Intraregional integration and enhanced bargaining power provides Southern partners with ways of demanding collectively better conditions of market access and probably might even enable them to negotiate from the start a genuine multilateral FTA instead of bilateral agreements between each Southern partner and the North. Otherwise, issues like restrictive rules of origin agreed on in agreements with the North are likely to hamper the development of parallel South–South integration.

Intra-Arab Economic Integration in the Past: Experiences and Constraints

Initiatives in the Framework of the Arab League and at the Sub-regional Level

The foundation of the Arab League in 1945 marked the beginning of numerous efforts to bring about economic integration among Arab countries.² The following decades witnessed the conclusion of several multilateral agreements as well as the establishment of different joint organizations, federations and agencies. As all of these initiatives failed to produce any tangible results, the Economic Council, the League’s leading organ in charge of economic affairs, in the 1970s started to resort to a stronger production-based strategy focusing on establishing joint projects and companies. In addition, the 1970s saw the foundation of numerous regional organizations like the Arab Monetary Fund (AMF). In 1980 at the 11th ordinary

2 After the start with only seven countries the League currently consists of 22 members: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen.

Arab Summit in Amman both the production-based and the traditional approach to integration were endorsed together with pan-Arab planning as key elements of the Joint Arab Economic Action (JAEA). The only thing, however, that remained in the aftermath was the JAEA slogan henceforth serving as a cover for all initiatives of intra-Arab cooperation and integration (see Alnasrawi 1989; ESCWA 2001; Sayigh 1999).

At the same time, three sub-regional groupings emerged in the 1980s. The only one deserving to be classified as relatively successful is the Gulf Cooperation Council (GCC) founded in 1981. After having achieved free trade in the first years after establishment, the six GCC members, Saudi Arabia, Kuwait, Bahrain, Qatar, UAE and Oman, decided in 2001 to introduce a common external tariff by the beginning of 2003 and, most recently, to establish a monetary union by 2010. Full implementation of the customs union, however, soon faced several hurdles. In addition, Bahrain and Oman recently signed bilateral free trade agreements with the USA, which means that the customs union might be in danger of falling apart (see Woertz 2006). The history of the Arab Maghreb Union (Union du Maghreb Arabe, UMA) set up in 1989 between Morocco, Algeria, Tunisia, Libya and Mauritania which like the GCC aimed at establishing a complete economic union, has been hindered mostly by political differences between its members. The measures conducted so far do not go beyond the conclusion of several framework agreements without being able to accomplish the introduction of free trade among UMA members (Wippel 2005). The Arab Cooperation Council (ACC) created in 1989 by Egypt, Iraq, Jordan and Yemen was soon deprived of its foundation as Egypt took the side of the allied forces against Iraq in the second Gulf War.

Constraints on Intra-Arab Economic Integration

Against the background of this legacy of mostly failed attempts, the Arab region showed in the past few signs of intraregional economic integration. This applied in particular to the low level of intraregional trade (as a share of the total trade of Arab countries) as well as investment. Exempted from this trend, at least temporarily, were labor movements and aid flows between Arab countries. One of the numerous reasons for the “discouraging history” of intra-Arab integration has been attributed to the formal nature of RIAs concluded among Arab countries in the past. It was argued that those agreements represented nothing but a declaration of intent on the part of the signatories lacking binding commitments and mechanisms for implementation and follow-up. In addition, a host of bilateral preferential agreements between pairs of Arab countries would have undermined the multilateral or pan-Arab agreements. Moreover, several economic factors were frequently said to be responsible for the weak state of intra-Arab integration. These include, on the one hand, the lack of potential to develop trade complementarities and product differentiation as a result of similar and, in many cases, underdeveloped production and export structures. On the other hand, restrictive trade policies and the heavy reliance on trade taxes as a source of income for the state budget have been considered important factors detrimental to intra-Arab trade. Despite efforts at trade liberalization, protection remains high in many of the region’s countries, reflecting the legacy of an industrial

strategy founded on import-substitution and a large public sector, which most Arab countries, except for the members of the GCC, had adopted in the 1960s and 1970s. Furthermore, trade among Arab countries involves high transaction costs resulting from a lack of adequate transport and communication links between countries of the region, prolonged trade-related administrative procedures and so on. In addition to economic factors, political, security and politico-economic reasons have been mentioned in the literature as being responsible for the low level of integration and the limited interest in it of those in charge (for more details see, for example, Fawzy 2003; Radwan and Reiffers 2005; Saidi 2003). Although most of the factors outlined above were more or less still present in the middle of the 1990s, Arab leaders decided to give regionalization on the pan-Arab level another chance mainly triggered by national and international challenges, and among them the initialization of the EMP in 1995. In 1997 the members of the Arab League's Economic Council approved the Executive Program to establish the GAFTA.

New Initiatives: A Critical Look at GAFTA and MAFTA

GAFTA: Agreements' Provisions and State of Implementation

The provisions of the Executive Program call for a gradual removal of customs duties as well as other charges and taxes of similar effect on all goods of Arab origin within a period of ten years.³ The period of implementation was later cut to eight years. As a result, the introduction of free trade among GAFTA members is officially regarded as having been accomplished by the beginning of 2005. The GAFTA Executive Program also stipulates the elimination of non-tariff barriers (NTBs). The provisions pertaining to the elimination of barriers do not apply to products whose import, trading or use is prohibited in one of the GAFTA member countries for religious, health, security and other reasons. Moreover, members are permitted to resort to antidumping, countervailing and safeguard measures (see GAFTA Executive Program; Zarrouk, 2000).

The body supervising implementation of the Executive Program is the Economic Council. It is assisted in its work by technical and executive committees. The Enforcement and Monitoring Committee represents the executive and follow-up permanent body of GAFTA and is also in charge of settling disputes arising during program implementation. According to the Joint Arab Economic Report, the GAFTA members agreed in 2004 on detailed provisions for a common dispute settlement mechanism.

As shown in Table 10.1, the GAFTA Executive Program, and the Agreement to Facilitate and Develop Inter-Arab Trade of 1981 as its legal basis, has been signed to date by 17 Arab countries. The majority of these countries started to reduce tariffs

3 The English translation of the Arabic title 'Mintaqat at-tidjara al-hurra al-'arabiya al-kubra' is disputed; whereas in secondary literature the term *GAFTA* is used by an overwhelming majority of authors, the Arab League recently seems to favor the term *Pan-Arab Free Trade Area* (PAFTA).

Table 10.1 Intra-Arab and EU-Arab RIAs

COUNTRY	GAFTA	MAFTA	UMA	GCC (CU)	Euro-Arab
Year of Signing/Start of Implementation					
Algeria	–	–	1989	–	AA ¹ 09/2005
Bahrain	1998	–	–	2003	
Comoros	–	–	–	–	Cotonou ³ 03/2000
Djibouti	–	–	–	–	Cotonou ³ 03/2000
Egypt	1998	2004	–	–	AA 06/2004
Iraq	1998	–	–	–	
Jordan	1998	2004	–	–	AA 05/2006
Kuwait	1998	–	–	2003	
Lebanon	1998	–	–	–	AA/IA ² 03/2003
Libya	1998	–	1989	–	
Mauritania	–	–	1989	–	Cotonou ³ 03/2000
Morocco	1998	2004	1989	–	AA 03/2000
Oman	1998	–	–	2003	
Palestine/PA	2002*	–	–	–	AA/IA 07/1997
Qatar	1998	–	–	2003	
Saudi Arabia	1998	–	–	2003	
Somalia	–	–	–	–	Cotonou ³ 03/2000
Sudan	2002/2005*	–	–	–	Cotonou ³ 03/2000
Syria	1998	–	–	–	CA ⁴ 07/1977
Tunisia	1998	2004	1989	–	AA 03/1998
UAE	1998	–	–	2003	
Yemen	2003/2005*	–	–	–	

* Special treatment.

¹ AA = Association or Partnership Agreement; ² AA/IA = Association Interim Agreement; ³ Cotonou Agreement between EU and ACP countries; ⁴ CA = Cooperation Agreement.

Source: Own compilation based on AMF, various issues; European Commission 2005b.

as scheduled in 1998.⁴ Palestine, Yemen and Sudan signed the Executive Program at a later date and are entitled to special treatment.⁵ In addition to GAFTA, numerous bilateral free trade agreements have been concluded among Arab countries, which were explicitly called for in the GAFTA Executive Program as a means to accelerate its schedule for liberalization (for details on bilateral agreements see Wippel 2005; Zorob

⁴ The role of Iraq is somewhat unclear. After the war, customs duties on imports from all sources had been eliminated. In April 2004 a five per cent “reconstruction levy” on all imports was introduced (see Zorob 2006).

⁵ Whereas Yemen and Sudan have been granted time to phase out tariffs until the year 2010 because of their status as the least developed Arab countries, Palestinian goods shall benefit from free access to the markets of all GAFTA members without being obliged to offer the same treatment to partners (see AMF 2003).

2005). Problems in implementation soon appeared with regard to charges and taxes of similar effect, which according to the GAFTA provisions should have been incorporated into the schedule of gradual tariff reductions from the beginning. Moreover, a number of countries made use of the possibilities for temporary exemption of goods from the phase-out of tariffs (see ESCWA 2001, 2005; Zorob 2006). According to an internal report of the AL General Secretariat only three out of six members who had previously applied industrial goods exemptions seem to have definitely removed the exemptions without any further conditions by the beginning of 2006. Originally, all six countries, Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia, had to eliminate the exemptions granted until the middle of September 2002, and reintegrate those goods into the schedule of tariff reductions (see League of Arab States 2006).

Seasonal restrictions on fresh fruits and vegetables included in the Agricultural Calendar have been applied by eleven GAFTA member countries. The countries concerned were required by a decision of the Economic Council to eliminate all restrictions agreed to both in the framework of the common Arab Agricultural Calendar, and in the framework of bilateral agreements signed by GAFTA members by the beginning of 2005. According to the above-mentioned internal report of the General Secretariat, however, only five countries informed it about having stopped applying the Arab and bilateral calendars (see League of Arab States 2006). In addition, the elimination of NTBs as stipulated in the GAFTA Executive Program has not made substantial progress so far.

Chances and Risks of GAFTA

Despite the above-mentioned problems in implementation, GAFTA apparently was able to promote intra-Arab trade and investment with both showing signs of considerable expansion since the beginning of the current decade (for details see AMF 2005; IAIGC 2006). The lacking reduction of NTBs, however, limits its potential contribution to bring about (further) positive effects of integration in general and its capability to mitigate the expected negative effects from free trade of its members with the EU in particular. According to a survey conducted among Arab firms, lengthy customs clearance procedures and red tape, corruption as well as standards and related costly and time-consuming procedures of conformity assessment are ranked after customs duties and domestic taxes as the most important sources of trade transaction costs (see Zarrouk 2003). In 2003/2004 the AL General Secretariat sent delegations to GAFTA member countries to identify all non-tariff and para-tariff restrictions applied in each country based on the results of which it shall be decided on how to pursue its future elimination (see AMF 2004; ESCWA 2005). A second important shortcoming of the Executive Program pertains to the rules of origin (RO). After years of conducting intra-GAFTA trade on the basis of temporary rules, the final and detailed RO are still not defined and agreed upon.⁶

⁶ RO are designed to identify the “economic nationality” of a good. They are needed to prove that a good was produced fully or partially (substantial transformation) in an FTA member country to make it eligible for duty-free access to the other FTA members. According to the “temporary” RO mentioned in the Executive Program, and approved by the Economic

Assuming that, despite relatively similar factor endowments and export structures some potential for inter- and intra-industry trade expansion and specialization among Arab states exists,⁷ GAFTA will only be able to deliver significant positive effects resulting from enhanced competition and provision of a training ground if it is not restricted to a shallow integration. To remove the different NTBs outlined above means that an RIA must go beyond the commitment on “national treatment,” and incorporate measures of deeper integration, that is measures for coordination, harmonization or mutual recognition of national policies and their enforcement mechanisms. In addition, the liberalization of services should be pursued. Several studies suggest that intraregional liberalization of trade in services promises more positive effects than merchandise trade liberalization. Enhanced efficiency and therefore lower transaction costs made possible by liberalization of services in turn could contribute to improving the international competitiveness of Arab merchandise exports (see Hoekman and Messerlin 2003; Konan 2003). In 2003, the hitherto eleven Arab WTO members agreed on a separate Arab Agreement for the Liberalization of Trade in Services. In late 2004, the negotiations commenced with the first five Arab countries submitting provisional lists of specific concessions (for details see AMF 2003, 2004; ESCWA 2005).

To ensure that competition is intensified effectively, strong competition or antitrust rules should be in place on domestic markets in the region. The introduction and/or harmonization of competition rules already in force in some GAFTA member countries could be another aspect of deeper intraregional integration currently not covered by the Executive Program. Instead, there is a major risk included in the GAFTA Executive Program’s allowing safeguards, countervailing and antidumping measures. Those clauses might be exploited by member countries as a means to reinstitute trade restrictions “through the backdoor.” Moreover, the Executive Program lacks rules on current payments, capital transactions, government procurement, rights of establishment or any other measures which might contribute to enhancing liberalization and promotion of investment on the intra-Arab level.

Finally, it has to be admitted that the potential of GAFTA to mitigate effects of trade diversion to the EU seems to be rather limited because of the relatively small share of intra-Arab imports in AMPCs’ total imports, and the low level of imports from Arab partners directly competing with AMPCs’ imports from the EU. Last but not least, there is the question what GAFTA might contribute to containing the risk of investment diversion. There are four major factors responsible for the hub gaining in power to attract FDI at the expense of the spokes. The first two factors or “extra”-privileges which firms only enjoy if located in the hub comprise of preferential or duty-free access to the markets of all the spokes, and the possibility of importing

Council in a separate decision, goods can be considered as being of “Arab” origin if they are wholly obtained in one of the GAFTA member countries, or if the local value added amounts to a least 40 percent (see League of Arab States: *Arab Rules of Origin*; al-Megharbal 2001).

7 Several studies have been compiled recently estimating the potential for trade expansion among Arab countries which argue that there should be at least a limited potential for trade expansion if trade barriers among the countries of the region are removed (see, for instance, al-Atrash and Youssef 2000).

duty-free from these countries. Another factor is that tariffs applied by EU member countries on imports from third countries are in general considerably lower than tariffs applied by AMPCs. This factor is aggravated by the prohibition of duty-draw-back as stipulated in some association agreements. These location-specific disadvantages of the spokes are stronger in industries with production subject to economies of scale and/or agglomeration pressures that drive firms to locations where the industry already exists (Wonnacott 1996). A fourth factor is represented by restrictive RO. In the framework of the EMP, the initial rules of origin protocols annexed to the association agreements are currently being substituted by new common Pan-Euro-Mediterranean RO approved by the Council in October 2005 (European Commission 2005a). These rules define for each product one or several different conditions which must be fulfilled to reach “substantial transformation” (see footnote 4), and are therefore regarded by many as being restrictive. The Pan-Euro-Mediterranean RO, however, allow for cumulating inputs originating in other member countries of the “Pan-Euro-Mediterranean System of Cumulation.”⁸ The opportunity of cumulation is expected to provide a means to mitigate the restrictiveness of the Pan-Euro-Mediterranean RO. For being allowed to cumulate inputs, MPCs are required to conclude free trade agreements with all of these partners in accordance with Article XXIV GATT, and integrate into the treaties similar provisions, that is the Pan-Euro-Mediterranean RO.

With restrictive RO and the other factors outlined above, cost benefits of firms operating in AMPCs, such as low labor costs, are likely to vanish without effect. To what extent might integration between Arab countries contribute to containing the different factors responsible for the hub-and-spokes effect? The answer is that with regard to efficiency-seeking FDI aiming at producing exports destined for EU markets, the potential role of GAFTA seems to be very limited. First, firms located in the EU can not only take advantage of their own large market to be supplied with production inputs, but can also source duty-free imports from and enjoy tariff-free access to a large number of other countries in addition to the AMPCs because of RIAs signed by the EU in recent years.⁹ Second, since GAFTA is a FTA and not a CU, meaning that member countries and especially the AMPCs will maintain substantial higher customs duties on imports from third states than those applied by the EU, firms based in the EU enjoy a further cost advantage. Even a substantial lowering of the most-favored nation duties might remain without effect because the use of inputs imported from third states is restricted by Pan-Euro–Mediterranean RO. In a similar manner, the AMPCs ability to use duty-free imports of inputs sourced in other GAFTA member countries is likely to be limited by those RO since imports originating in these countries cannot be cumulated as local content because they are not members of the Pan-Euro–Mediterranean System of Cumulation. One

8 Members of the “Pan-Euro-Mediterranean System of Cumulation” are currently the EU member states, MPCs, EFTA countries and EU accession candidates (see European Commission 2006).

9 The EU concluded free trade agreements with EFTA members, Mexico, Chile and South Africa, and established a CU with Turkey to name but the most important treaties (see European Commission 2005b).

might argue that because of the limited magnitude of intermediate products or “components” traded among Arab countries this issue is not that important. But on the one hand to grant cumulation of origin to all GAFTA members would at least ensure that a future development of trade in components among Arab countries is not discouraged. On the other hand, even duty-free imports of inputs sourced in AMPCs belonging to MAFTA as well as other members of the System of Cumulation might be of limited benefit since inside it AMPCs are granted only “partial” (as opposed to “full”) cumulation. Finally and particularly in cases where investors are planning to serve predominantly the markets of the EU, they are induced to locate in the hub. By doing so they won’t be obliged to comply with RO, and therefore are able to save time and money which would otherwise be needed for organizing production in line with RO requirements and the red tape to prove it (for a more detailed discussion see Zorob 2006).

GAFTA may be able to improve the prospects for increased inflows of FDI in AMPCs which aim at serving the neighboring as well as the rest of GAFTA member’s markets since locating in one of the AMPCs means not only duty-free access to the market of the EU, but also to all GAFTA member countries. As outlined above, however, intra-Arab trade is hampered by numerous non-tariff and other barriers which boost trade transaction costs. To ensure that these costs do not force international investors to decide for location in the EU, the GAFTA Executive Program must be developed from its current shallow approach to a scheme of deeper integration including its extension to the services sector and incorporation of measures of cooperation most importantly in the field of transport infrastructure. The larger the reduction of transaction costs in trade among GAFTA members, the more incentives will be created for international investors to benefit effectively from production cost advantages in AMPCs, geographical proximity to neighboring markets or relatively homogenous demand preferences in Arab countries. In addition, GAFTA could contribute to alleviating uncertainty for Arab investors by reviving the “Unified Agreement for Investment of Arab Capital among Arab States”, or by including any measures designed for liberalization of FDI policy or its promotion and protection in the Executive Program.¹⁰ It should be noted, however, that international investors’ decisions are usually influenced by many other location-specific or “host country determinants” of FDI than regional integration or a country’s trade policy in general (see UNCTAD 1998).

GAFTA vs. MAFTA: “Variable Geometry” or Competing Approaches?

The issue of Pan-Euro–Mediterranean RO shows yet another important limit of GAFTA connected to its failure to improve bargaining power in AMPCs’ negotiations with the EU, or in its just coming too late to do so. Table 10.1 illustrates that the majority of Arab states have already concluded an RIA with the EU. Nevertheless, the

10 The reactivation of the Unified Agreement seems to be in discussion; at the same time and besides existing bilateral investment protection treaties among Arab countries the members of the CAEU signed an Agreement of Encouragement and Protection of Investment in 2002.

EU seems far from accepting the GAFTA Executive Program as a regional free trade agreement, possibly arguing that it is not compliant with provisions of Article XXIV GATT. Accordingly, GAFTA members and among them the AMPCs are denied the right of cumulation of origin with each other for exports to the EU. At the same time, the European Commission supported the signature of the Agadir Agreement in 2004 by Morocco, Tunisia, Egypt, and Jordan, which is open for accession for all AMPCs (see Agadir Agreement).

In light of the “failed legacy” of past Arab agreements the crucial question concerning the Agadir Agreement is not so much its potential to play a complementary role to its members’ agreements with the EU, but whether it might be expected to complement the GAFTA Executive Program or rather to function as a competing approach, even possibly undermining the pan-Arab initiative. To find an answer to this question it should be asked if the provisions of the Agadir Agreement promise, in line with the principle of “variable geometry,” to accelerate, deepen and/or broaden the scope of the GAFTA Executive Program, and by doing so to reduce its shortcomings outlined in the preceding paragraph. The Agadir Agreement does not contribute to accelerating the process of liberalization envisaged in the GAFTA Executive Program simply because it still lacks implementation. Although the agreement after several delays in the process of ratification formally went into force in July 2006 member countries’ delegates were scheduled to meet in January 2007 to discuss problems pertaining to, among others, different interpretations of rules of origin, and to agree on the final modalities for implementation (see La vie éco, 2007). As regards broadening the scope of integration, the Agadir Agreement fails to add something new because its call for liberalization of trade in services remains for the time being limited to the concessions made by the MAFTA members in the framework of GATS. In contrast to the GAFTA Executive Program the Agadir Agreement in fact includes some regulations for deeper integration in fields like standards or intellectual property rights. Provisions of this kind, however, lack detailed rules and time tables for implementation (see Zorob 2005).

In addition, the Agadir Agreement stipulates the adoption of the Pan-Euro-Mediterranean RO whereas inside GAFTA final RO suitable to all members have not been approved yet. Besides the issue that Pan-Euro–Mediterranean RO might violate RO agreed on in the framework of GAFTA, even if these are only temporary, they are generally considered as being restrictive. Restrictive RO could severely damage competition inside MAFTA (something which arguably might be in the interest of member countries’ representatives trying to protect their domestic markets), but also limits, or may even destroy the prospects for enhanced trade and connected efficiency and specialization effects. In short, the hope for expanding intra-MAFTA and trade with other members of the Pan-Euro-Mediterranean System of Cumulation in intermediate goods is contrasted with the apparent risk that Pan-Euro-Mediterranean RO will most probably hamper rather than promote overall trade inside the region and with the EU.

Conclusion

Based on the theoretical framework outlined in the first part of this chapter, the potential of GAFTA to serve as a complementary strategy to integration of AMPCs with the EU seems to be quite narrow. The analysis showed that the GAFTA Executive Program and its implementation reveal several fundamental shortcomings mainly comprising of its design as a purely shallow integration agreement restricted to the liberalization of merchandise trade, and its inability to achieve a sufficient magnitude of bargaining power. These shortcomings are in large part to be made responsible for the apparently limited potential of the GAFTA Executive Program to mitigate the risks and negative effects associated with AMPCs' integration with the EU in the framework of the EMP.

The Agadir Agreement, the most recent attempt at intra-Arab integration on a sub-regional level, does not add much to the reduction of the GAFTA Executive Program's deficiencies. Thus, in case of it being fully implemented in the future, this treaty seems hardly capable of complementing the GAFTA Executive Program in line with the principle of "variable geometry." Rather, based on its adoption of the Pan-Euro-Mediterranean RO and against the background of the "failed legacy" of previous efforts at intra-Arab integration, it might be used as a competing approach which even involves the risk of undermining the pan-Arab initiative. Last but not least, it should be emphasized that many of the economic and political constraints hampering initiatives of intra-Arab integration in the past are currently still present.

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Chapter 11

Regional Cooperation Under Conflict: Israeli–Arab Business Cooperation in the Middle East

Sabine Hofmann

Introduction

In this chapter, I concentrate on one specific kind of Middle Eastern structure, which is mostly an ambivalent, but integrated element in that region: Israel and its interactions in the Middle East.¹ Special focus is directed to the economic field (part 2) and on the actors' side. After first considering the role of the politicians (part 3), attention is given primarily to the business community in Israel (part 4). Although most of the Arab states formally boycott the State of Israel, its business communities have contacts and business relations with entrepreneurs in Arab and Islamic countries (part 5). Because of this, the structural analysis of the Middle East differs from that of other models and goes beyond traditional and dominant stigmata and standards. Finally, options for regional structures including Israel (part 6) are based on the asymmetrical economic relation between Israel and other Middle Eastern economies, and encompass Euro–Mediterranean inter-regionalism (rationalist agenda), Middle Eastern integration (idealism) and regional fragmentation (differentiation).

As Stefan A. Schirm (Schirm 2001) shows using the example of Europe and the Americas, countries under the influence of global markets resolve to enter into cooperation with liberal markets and turn towards regionalization² models in view of the new challenges. Here the region of the Middle East³ is interpreted as a social

1 The chapter is part of a research work in progress, which focuses on economic actors in Israel and their political-economic positioning in the Middle East. Apart from primary materials from institutions and companies I took advantage of interviews that I conducted in Israel, the West Bank and Gaza Strip, Egypt, and Jordan between 1999 and 2006.

2 The terms “region,” “regionalism,” and “regionalization” are topics of a profound academic debate (see for example de Melo and Panagariya 1993; Bergsten 1997; Fawcett and Hurrell 1997; Hettne, Inotai and Sunkel 1999; Schulz, Söderbaum and Öjendal 2001; Boas, Marchand and Shaw 2005; and Wippel 2005).

3 The term “Middle East” is not uniquely defined. In this paper it covers Algeria, Egypt, Libya, Morocco, Tunisia, Iraq, Israel, Jordan, Lebanon, Palestine, Syria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). The World Bank and the International Monetary Fund introduced the acronym MENA (Middle East and North Africa). In the widest definition, it encompasses the 21 members of the Arab League as well as Iran,

system with actors and structures. Its structural contacts are carried out on numerous micro- and macro-levels. Nevertheless, the Middle East differs from other regions like the EU: It shows a relatively low degree of regional economic integration and socio-political coherence (Kalaycioglu 2003), and is mostly related to commonly known organizations like GCC, LAS etc. These institutions are sub-regional and overwhelmingly Arab institutions (Hudson 1999; Galal and Hoekman 2003). Israel has its own policies, economy and culture that differ from its Arab neighbors. However, it is part of the Middle East, not only geographically,⁴ and as such is part of a diversified network of interrelations and contacts.

According to the impartial influence of global development processes in the region, the business community—particularly the economic elite as a trans-national player—is consolidating as an actor alongside the state, and has more and more attracted academic interest. Thus the chapter’s focus is directed towards the economic field and actors, especially the business community. The question arises as to why these actors, which are economies, entrepreneurs and national interest organizations, engage in regional relations. What interests do entrepreneurs and the state have that lead them to engagements in the region, and to undertaking a change in the strategy prevailing until the end of the 1980s (see Richards and Waterbury 1998; Wilson 1995; The World Bank 1993, 1995a, 1995b)?

From what has been written, I put forward the following hypotheses: 1) In regional foreign policies, the Israeli political elite enforces strategies of institutional as well as realistic agendas. 2) Israel’s economic and business elite has oriented its economic strategy not regionally but initially globally. 3) In terms of Israel’s economic development, the regional-political factor of conflict tends to become less relevant in relation to the influence of global economic and political factors on the economic elite’s foreign economic orientation.⁵

General Conditions for the Business Community’s Interactions

Boycott and Negative Integration

The actors’ scope of action is among the decisive differences, because “politics is essentially national and economics essentially global...authoritarianism...is... always tied to the national state. Economic freedom refers to the global sphere” (Altvater 1991, 342, 355). The (Israeli) state is the national leader in an allocated territory; entrepreneurs are transnational players, who are bound neither territorially nor locally (“fleeing capital”). Israel’s situation in the region is fundamentally

Israel, and Turkey. Ultimately, Mohammed A. El-Erian and Stanley Fischer posed the question in the title of their article: “Is MENA a region?” (2000, 70-86).

4 As Elie Podeh estimates, Israel finds itself geographically in the center, “at the heart of the Middle East.” But with economic and political, as well as military support from the superpowers and of the “west,” “Israelis have generally been reluctant to view their country as part of the Middle East, whether politically, economically and culturally” (Podeh 1997, 280).

5 Although, as the second Intifada or the election victory of Hamas in Palestine indicated, there are temporary periods of renewed strength of the political-regional conflicts.

determined by the constitution and character of the system. As the Middle East conflict and its regulation are ultimately expressions of the global imperative, the Israeli system of interaction in the region is also an expression of this confused situation.

Israel's interactions in economic areas in the region, both as a state and through non-governmental participants such as entrepreneurs, have been determined for decades by political interests in the Middle East conflict system (Halliday 2005, 261-76). Jewish nationalism confronted Arab nationalism. A regional-trans-national expression of political and economic nationalism is the League of Arab States' (LAS) boycott of the Jewish state (see League of Arab Countries 1972; Weiner 1987; Hattis Rolef 1985). Although the sanctions affect the economy, the political goal was to weaken the state of Israel. However, the Arab states did not achieve their goal to damage the Israeli economy and impoverish its people. The predicted trade with the Arab states is modest anyway; so the sanctions of the initial boycott had only a marginal effect. At this level, it instead promoted the opposite: it confirmed that the state, *Histadrut*, and industry transform the ideas of political Zionism of the "conquest of Jewish work," the "Jewish market" and "Jewish production" into ones of vital importance for Israeli society. Due to Israel's "negative" integration in the region,⁶ the Arab and Islamic states finally fostered the efforts, particularly of the social-democratic-Zionist parties, to establish an Israeli economy that did not formally cooperate with the rest of the Middle East, which had the USA and Western Europe as its main business partners, and had its strongest ties outside the region.⁷ With private and state financial and economic foreign aid, all Israeli governments refused a *levantization* of their economic system. For the business elite, the embargo increasingly proved an obstacle in their attempts at expansion. Therefore, it was precisely the entrepreneurs from big firms who pushed for a bigger market and demanded a regulation of the Middle East conflict. They used their influence on the political elite to encourage a change in domestic and foreign policy. Aside from international and regional factors, the background for the business community's aggressive expansion interests lies in many domestic complex causes, economic-structural and socio-economic factors are among them.

6 I selected the terms "negative" and "positive integration" to show clearly both sides of Israel's social interactions in the Middle East: On the one hand, Arab states declared the boycott as an instrument of economic diplomacy against Israel to isolate the state of Israel in the region. On the other hand, Israel and the Arab states and companies have been interrelating for a long time by using several formal and informal channels inside a globalized world. In addition, both sides have been acting as conflict partners, and were forced to be part of a social connection in the Middle East, whether they liked it or not.

7 Considered altogether, the effect of the boycott on Israel was disputed. On the one hand, the cumulative financial damage to the Israeli economy and international companies amounted to as much as \$49 billion. (*Jerusalem Post*, 6 January 1990; MA'I 1992a; FICC 21 January 1993).

Structural Change in Israel's National Economy

The Israeli economy has been carrying out an accelerated structural change since the middle of the 1980s. Government and entrepreneurs oriented towards knowledge-intensive fields and branches with high value growth (like ICT). The criterion was competition in the global market.⁸ Therefore, the amount of high-tech goods and services as per cent of all exports rose from 61 per cent in 1988 to 71 per cent in 1998, and 80 per cent in 2000. In accordance with the production potential, foreign trade is geared above all towards industrial countries. Israeli entrepreneurs have also penetrated markets that had been closed for decades in Eastern Europe and Asia, including Islamic states like Indonesia. The emerging markets of China and India form a priority along with the “small tiger states.” Not only do they have a large market and workforce potential at their disposal (China – 1.6, India – 1.1 billion inhabitants), but they are also potential cooperation partners for Israeli business and research institutions.⁹ Lying outside the region, they are more “easily” accessible from a political point of view, and have a more diversified economy at their disposal than many Middle Eastern states.

Socio-economic Structural Change

Dynamic economic growth and a reduction of regional-political tension lent Israel an improved, more competitive and, for capital utilization, more secure status in the 1990s.¹⁰ At the same time, the aggressive government policy of liberalization and privatization of the socio-economic structure operating since the mid-1980s brought far-reaching changes. Under these prevailing conditions, the business community continued the consolidation process. It increasingly broke out of its cocoon of governmental and trade union *Histadrut* care and positioned itself as a “class in itself” with a high concentration of capital.¹¹

After the withdrawal of state control from the capital market and the erosion of the Arab boycott, international investors crowded into the Israeli market. In the expectation of penetrating a regional economic sphere from Israel outward, well-known international companies bought parts of firms, went into joint ventures or

8 The economy in a relatively small country is export-oriented and must have internationally competitive products, whose production and export are less dependent on regional-political influences.

9 In 1986, Israeli exports to EC and EFTA-countries and the USA were about 80 per cent of total Israeli exports, exports to Asia came to about 10 per cent, exports to Eastern Europe only to 1 per cent. In 2000 (and 2005), Israel had increased its exports to Asia to 18 per cent of total exports. Exports to Japan, Thailand, Taiwan, Hong Kong, South Korea, Singapore and the Philippines alone reached 12 per cent in 2005 and opened up new business opportunities (see CBS).

10 For details, see Israel in international ratings, for example published by Standard & Poor's and the World Economic Forum.

11 Once, five large holdings and bank corporations made up the solid core of the political economic system. Today, 16 families control about 20 per cent of the revenue from Israel's 500 leading companies (*Globes*, 21 August 2005).

founded their own companies, including Volkswagen, Volvo, Nestlé, Henkel, Cable and Wireless, Siemens, Intel, Microsoft and Bayer, among others.

The dependence on foreign capital influx did not diminish, rather it changed. Until 1990, investment came mainly from the public as well as the private development and financial aid sectors, above all from Germany and the USA; the state of Israel distributed the aid centrally. In 1990, FDI was only \$129 million, but in the following years, the FDI growth rate went up enormously.¹² The Israeli business community increasingly favored the international market. At the end of 2005, 129 Israeli companies were traded on the NYSE. The world's largest electronic stock market, NASDAQ, lists 332 non-US companies—including 75 Israeli companies (S&P 2006, 39). Private entrepreneurs act flexibly and transnationally towards ambitious markets, and establish companies which focus on industrial states and are not limited to a presence in Israel.

Israel's Regional Political Agenda in the Middle East

Another characteristic of the conflict system was that economic development and foreign economic relations were resolutely determined by ideology and the political goals of the big parties and these governments.¹³ There was no question as to economic integration in the Middle East until the end of the Cold War. The government considered Israel's position in the region with regard to its strengths, whether this was military or economic dominance. Given this, the economic realm formed a crucial part of conception and policies of security. In politics, two main agendas are apparent in the design of the Middle East: the institutional agenda, exemplified by Peres, and the realistic agenda put forward by Netanyahu, Barak, Sharon and Olmert.

Inspired by West European processes, Shimon Peres recognized early that faced with the growing role of technology and economics, politics needed new instruments for regional stabilization. With regard to industrial countries, he raised the question of territorial relevance versus technological advances as early as 1978.¹⁴ The previous Prime Minister and Foreign Minister under Rabin had the most far-reaching vision for Israel and the Middle East: he wanted to link and stabilize Israel

12 FDI (Foreign Direct Investment) in 2006 reached \$13.4 billion, as compared to a total of \$3.1 billion in 2001 and \$5.7 billion in 2005 (*Globes*, 1 March 2005, 2 February 2006, 1 January 2007; MoIT 2006, 1). Foreign investments in the technology sector have totalled \$16 billion 1999-2004, half of all foreign investments in Israel at that time (*Globes*, 1 March 2005).

13 I concentrate on the Prime Ministers and their parties: Yitzhak Rabin, Shimon Peres, Ehud Barak–Mifleget ha-Avodah ha-Jisraelit [Israeli Labour Party], since 1999 the main force in Jisrael Achad [One Israel], the electoral alliance of the three parties Avodah, Meimad, Geshet [Bridge]. Benjamin Netanjahu–Likud, Ariel Sharon, Ehud Olmert – Likud [Union], since 2005 Kadima [Forward].

14 In industrial countries and “post-war countries,” Peres concluded, the “development of a modern economy depends more on a nation’s technological level than on its territory. It is also cheaper to acquire natural resources with money than with weapons” (Peres 1978, 5).

in the region through economic cooperation. In his “new Middle East,” Israel formed the center and the bridge between states and regions (Peres 1993). Peres put Israel in an excellent position per se, and did not see this position as the result of convergence or endowment from the regional community. Thus, this model would finally have confirmed the asymmetrical relationship and the central-peripheral-situation.

In the subsequent negotiation and conference tracks, two basic models can be differentiated: on the one hand, the sub-regional cooperation of Israeli, Palestinian, Egyptian, and Jordanian partners. On the other hand, the mega-level, which encompasses “interested states,” like the Arab states, further institutions and members of the private sector would have been encouraged to participate through the negotiation of the G7 states (see The World Bank 1993; 1995a; 1995b; IMF 1996).

The government under Premier Rabin also oriented its program of economic development towards Israel’s integration in the Middle East. The economic plan clearly indicated that trade would follow advances in the political process, and be the method of supporting state relations within the bounds of forming an economic basis for the future. The cooperation of business people would be economically practical due to the complementary production factors in Israel and Arab countries.¹⁵ Consequently, that would have led to interdependence, which would have remained limited due to the initial conditions, and turned out asymmetrically in Israel’s favor.¹⁶

Israel’s isolation in the Arab World had been mitigated since Sadat’s visit to Israel in 1977, but ended with its first governmental treaties with the PLO and Jordan, with summit conferences between industry and politics in Arab states with Israel’s official participation. Today, Israel maintains full diplomatic relations with Egypt, Jordan and Mauritania, and representation, that is interest offices, in Morocco, Tunisia, Oman and Qatar, according to Israeli reports in the UAE (*Yedioth Aharonot*, 15 May 2005).

Prime Minister Netanyahu accepted the political realism of the 1990s. Compared to his predecessor, however, he attached no significant value to economic relations with regard to furthering peace negotiations with the Arab states. He identified as the basis of his policy the international struggle against terrorism. This is “a necessity, when our democratic social order and its guaranteed freedoms are to survive” (Netanyahu 1995, 13). With this pragmatism, Netanyahu addressed specifically those members of the political and economic elite who had perhaps not agreed with him on the position of Likud regarding questions of the Middle East conflict. Thus Netanyahu received backing from industrialists, business people, managers, technocrats and specialists who formed the “new class” in Israel, and whose interests

15 Given the advantages of cooperation, common national projects, like a harbor, airport, electricity network or water resources and so on could be profitable (Misrad ha Kalkalah we ha-Tichnun 1994, 118-19; Peres 1993).

16 Additionally, after the establishment of economic relations with Jordan in 1994, entrepreneurs who were active in the Arab-Israeli foreign economic field received barely any further support from the state; regulation was left in the hands of neo-liberal market forces.

and preferences are decisive to government policy compared with the “traditional polarization in Israeli society” (Keren 1998, 269).

Netanyahu, “the advocate of the free market” (Keren 1998, 269), placed emphasis on the local economy. He considered economic strength as the foundation of Israel’s position in the region, and underestimated the long-term determining role of political stability in economic development.¹⁷ Under his rule, Israel was “more inward looking than interested in the evolution of its regional environment.”¹⁸ As a starting point, Netanyahu took Israel and its high-tech economy as a sort of attractive “island position” in the Middle East: Israel’s technological and economic basis would be an incentive for foreign investment in the country and the construction of a new “Silicon Valley” in Israel, even with the existing conflict. He did not look at peace as something absolutely necessary: “Peace is an end of itself [...] peace, without free markets, will not produce growth. But free markets without peace do produce growth”, Netanyahu said in an interview (*Jerusalem Post*, 11 May 1999).

Netanyahu and Barak set up a perception of security through prior military strength. Cooperation in the economy and infrastructure was an afterthought and was dependent on the political position achieved. During his short rule until February 2001, the long-standing officer Ehud Barak positioned himself as an unconditional security policy-oriented politician and keeper of “Rabin’s legacy.” In a government statement in June 1999, Barak made clear that the foundation of peace lies in Israeli strength.¹⁹ Economic cooperation is one area among others to manage peace in the Middle East. With regard to security policy he preferred a model similar to that of ASEAN (*Haaretz*, 21 December 1999). Barak had neither visions nor concrete plans. He dealt objectively, focusing and concentrating on security policy. Economic questions played a side role in the area of regional policy; they were increasingly a matter for the business community.

Under Premier Sharon, Israel experienced the consequences of failed integration in the global economy. The collapse of the NASDAQ in 2000 and the eruption of the second Intifada in the fall of 2000 resulted in the worst economic crisis to hit Israel since 1953. Sharon was aware that he had to secure the support of the now transnational business community. In his economic platform in 2001, Sharon proclaimed a reduction of taxes and interest rates. In *Haaretz*, 4 January 2001, the economic journalist Guy Rolnik wrote that, Sharon was “adopting the recommendations of the economic lobby”.

Since Rabin had been Prime Minister, the priorities had totally reversed. Sharon subordinated all other considerations to security policy. He acted along military strategic and security political lines, something he found very congenial. With this combination, there was no room for ideas of regional economic cooperation

17 Netanyahu said that “Israel [will] become one of the foremost economic and technological powers in the world. With that we will increase our national strength overall and military strength as well” (*Jerusalem Post*, 11 May 1999).

18 Vize Manager Institut Francais des Relations Internationales, Paris (*The Financial Times*, 25 January 1999, 10).

19 “Making peace is grounded in the strength of the IDF and on the overall strength of Israel, on the deterrent capabilities of the State” (Government Press Office 1999).

in his policy. On the contrary, out of the stagnating situation, Sharon ultimately took political action himself, and unilaterally arranged a “disengagement plan” in December 2003, which was fully coordinated with the US-American government. Sharon’s disengagement plan was welcomed by most Arab states. Thus, Israel was able to lead unofficial talks with other states to probe the possibility of official relations with Morocco, Tunisia, Libya, Qatar, Oman, Bahrain, Indonesia, Yemen and Kuwait, among others. The government and entrepreneurs also took up official contacts with Islamic states that Israel had long boycotted, like Pakistan.

Ehud Olmert, who followed Sharon early in 2006 to lead the new party Kadima and was elected Prime Minister in spring 2006, supported unilateral moves in the Occupied Palestinian Territories in the West Bank. His basic idea is to preserve Israel as a Jewish state and to prevent a situation of boycott and isolation. First as Minister and now also as Prime Minister, Olmert encourages international investors to engage in a modern, sophisticated, free market economy in Israel. Apart from the special relationship with the USA, he is more oriented towards powerful and strong EU-engagement than his predecessor was.²⁰

Conceptualizing and Articulation of the Interests of the Business Community

As Sharon pursued his disengagement plan in the summer 2005, he received open support from well-known businesspersons like Stef Wertheimer, who ten years previously had supported Premier Rabin’s regional policy, and fifteen years previously had decisively set this regional policy change in motion. At that time, numerous Israeli corporate managers had linked the question of economic development and Israel’s political perspectives. Eli Hurvitz, President and CEO of Teva Pharmaceutical Industries Ltd., Israel’s leading (pharmaceutical) enterprise declared: “The future is problematic without peace.” Like Hurvitz, “many Israeli businessmen insist that peace is needed” (Rossant 1989, 24). Thus, questions were asked as to what goals tied the business community in Israel with conflict regulations, and what steps needed to be taken.

In the opinion of interest groups, the business community should have created a “peace economy,” united above all in international acceptance, economic growth, low corporate taxes, elimination of the LAS boycott, cooperation with international companies, regional cooperation, expansion of economic relations and an increase in foreign investment. Emphasis was thus on the global market, since the Israeli economy was “not structured for trade with its poorer neighbors.”²¹ Regional cooperation was always only marginally discussed and had not really been on the agenda for a while. The majority of entrepreneurs favored regional and sub-regional development projects, for example in infrastructure, which would be realized with international support. However, applied to their current branches of industry, their

²⁰ He mentioned in particular Great Britain, France, and Germany (*Financial Times* 2006).

²¹ Governor of the Bank of Israel, the Israeli central bank, Jacob Frenkel (*Jerusalem Post*, 16 September 1994).

ventures and the economic situation, their interests and expectations of peaceful negotiations and regional cooperation were different.

Had the business community still been reserved and cautious in drawing the least possible public attention to the anti-boycott policy at the end of the 1980s, they would have taken an open and active stance in the question of conflict regulation. Corporate directors, in particular, pressed for regulation and extensive opening. In the opinion of the business community, however, the government was not flexible enough. At the economic conference in Jerusalem in mid-June 1992, shortly before the elections, Dov Lautman, President of the Manufacturers' Association of Israel (MA'I), and a private textile entrepreneur, firmly pointed out the direct connection between politics and industry. In front of more than 1,500 domestic and foreign business people, he unambiguously connected the expansion of Israeli industry with foreign-investments to movement in the faltering peace process (*Haaretz*, 17 June 1992). These political expectations of leading business community representatives were linked with their own practical initiatives. They met with Palestinian and Arab entrepreneurs for talks that partially took place before the signing of official treaties (Shafir 1999, 118).

For the business community, the lifting of the boycott was a central question and had the "highest urgency in the continuation of the peace process" (*Haaretz*, 7 August 1992). The President of the FICC, Dan Gillerman, requested Premier Rabin to lift the boycott as quickly as possible. The business community discarded their traditional reserve and pressed the government to force the negotiation process.²² Employers and interest groups negotiated closest to the spheres of government and administration. The decisive step was carried out at the end of October 1994, when the Gulf States announced that they would no longer stop non-Arab firms from having economic relations with Israel. Investment could flow and trade expand globally without any danger of participating companies being excluded from business with Arab states.

In the opinion of regional integration supporters, Israel's cooperation with Arab states should have expanded horizontally and vertically, and led to a global economically significant area of integration. Both government and employers agreed that, in times of globalization, the private sector should provide the spearhead economic relations with the Arab side. That way, the business community would have had the possibility to strengthen regional trends and create a regional sphere for itself. By means of this penetration, the companies could improve their global competitiveness. Concurrently, Israel's attractiveness as a location for foreign companies would increase. Israel and its business community could have been effective in bridging the gap between regional states and the world economy. The local business community would take over the lead by engaging in the Middle East

22 Dan Gillerman: "I would say, on behalf of the Israeli business community, that we would advise—and even demand—that the Israeli government make it clear to its Arab and Palestinian partners, and to the United States and Europe (who are so concerned with the peace process) that the abolition of the Arab boycott is a pre-requisite to any peace agreement and to the establishment of the autonomy." (Government Press Office Economic Desk, 25 January 1993).

(Shafir and Peled 2000, 258). The employers anticipated more chances in the Gulf countries. These states had more buying power at their disposal, and this constituted a great opportunity for them.

The consent to negotiations with the Palestinians and Arab states was not in the best interest of all companies, nor tied to the desire for greater economic openness. While the “self-selected business leaders,” above all the export-oriented companies and the trade sector, tried to convince other employers of the advantages of opening and expanding the market, the “more domestically”-oriented part of the business community was somewhat skeptical (Shafir and Peled 2000, 260-61). The differences became clear in the matter of regulating industrial relations with the Palestinians in the West Bank and the Gaza Strip (WBGs): Like the farmers (Ha-Merkas ha-Chaklai), the industrialists did not want complete domestic openness to the WBGs imports either (MA’I 1992b). In addition to that, the MA’I expected hard competition from the Palestinian side in labor-intensive areas (textile, food, timber, leather and plastics industries).

Israeli entrepreneurs saw the surrounding market also as a market for their products; however, the calculated potential was low (MA’I 1993). In the export-driven Israeli economy these details caused some disillusionment.²³ The penetration of the markets in the Gulf States seemed more sensible economically and easier politically.

The business community had reached its primary goal after the end of the secondary boycott. Now they did not pressure the government, but reaffirmed their hope that the government would continue the peace talks and achieve normalization of relations, including economic relations with the Arab side. As president of the MA’I, Dan Propper was a constant companion of Prime Minister Rabin on his foreign trips, including those to the Arab states. Rabin had “opened the world to Israeli industry” (*Die Welt* [The World], 25 May 2000, U5). In Propper’s opinion, in regulating the Middle East conflict, economy could play a larger role than politics. The economic expansion in the first half of the 1990s confirmed these rosy forecasts. Consequently, Israeli entrepreneurs relied particularly on governments that were led by the Labor Party and supported it. This also included the meetings and consultations previously mentioned between politicians and business organizations, in which the status of the economy and in particular the role of industry and trade in the political process were discussed.²⁴

The domestic recession and stagnation in Netanyahu’s regional policy worsened conditions for regional projects. Furthermore, the penetration of the Middle Eastern market was more difficult than expected for Israel’s business community. Timid attempts by leading entrepreneurs to find potential partners with Arab Israelis

23 Yigal Arnon, Chairman of First International Bank of Israel, proclaimed: “We must face reality and understand that we should not expect too much from peace in terms of economic dividends, so far as the direct economic relations with our neighbours are concerned” (Arnon 1996, 23).

24 See for example the meeting of Foreign Minister Peres in the House of Industry in Tel Aviv. Israeli daily *Haaretz* wrote: “Taasijanim be-scherut ha-chuz” – Industrialists in Foreign Service (*Haaretz*, 28 May 1995).

rather than with right-wing, national-orthodox Jews were again shattered by violent disputes in the fall of 2000.

The Israeli Business Community in the Middle East

In addition to the official level, proven informal contacts and business channels had existed for decades through companies in third states, links on the micro-social level as well as meetings through regulated collaboration or Israeli-Arab cooperation on the international and transnational level. Even during the boycott, goods were transferred to most of the states that boycotted Israel when there was need for special goods that Israel could produce and deliver better and cheaper than other producers, for example specific irrigation equipment. At the beginning of the 1990s, Israeli entrepreneurs and their interest groups took up international relations and transnational connections and contacts on multilateral, sub-regional and bilateral levels in the Middle East that led to cooperation. Finally, the multilateral teams which were founded because of the 1992 Moscow Conference, were the functional starting point for Israeli representatives to secure official access to a larger number of Arab states. Government representatives together with chairs of top economic associations and entrepreneurs from almost all states of the region, who had previously either boycotted or ignored Israel as an economic power, officially took part in the MENA-Summits (Casablanca 1994, Amman 1995, Cairo 1996, Doha 1997). Their political and region-wide endeavors to reveal new business fields stood out.

After a promising start in the 1990s, the meetings resulted less in concrete business than in political statements, "more contacts than contracts." As the "peace process" in the Middle East conflict stagnated, the official and prestigious meetings between governments and business organizations also failed to materialize and to live up to earlier expectations. Changes took place in the relations of the entrepreneurs as well as the politicians: overall, relations took less effect publicly, they were shelved or frozen; but in other areas, the contacts led to smaller meetings with fewer participants, and changed to a practical and goal-oriented basis.

The connections are diverse in form and conception and extend over the entire economic cycle and nearly all economic sectors. In trade, compared to markets in other regions, the majority of Israeli companies attached less economic value to the Middle East. Therefore, regional trade is not to be considered as a replacement for other Israeli trade contacts, but rather as an extension. Finally, entrepreneurs' advantages result not least from lower factor costs in the region. In the meantime, a significant part of different production units of the Israeli economy were moved into some neighbor states and areas in cooperation with Israeli investors. Thus Delta, the biggest Israeli textile company, whose owner Dov Lautman is a global player, created most of the new jobs in Egypt's textile industry. In 1999, 20 Israeli companies were active in Egypt; in 1998, they invested approx. \$30 million in joint ventures.²⁵

25 In December 2006 the information service of the FICC, Israel's Chamber of Commerce, noticed that the exports to Egypt and Jordan had increased, and that the increase was responsible for most of the export growth this year, even after the war in Lebanon in the

Along with cooperation in the agricultural sector, health service, infrastructure system and tourism, among others, the joint ventures had an especially positive effect on the newly built industrial parks in Jordan and Egypt: they attracted foreign investors, who supplied jobs, and brought about an enormous trade increase between Egypt and Israel as well as between Jordan and Israel.²⁶ Jordan and Egypt exported the products produced in the Qualifying Industrial Zones (QIZ) to the USA, duty- and quota-free.²⁷

The largest Israeli-Egyptian deal is a \$2.5 billion deal to import natural gas from Egypt for 20 years. Israel and Egypt signed a much-delayed diplomatic agreement (30 June 2005) to complete the business deal between the companies.²⁸ The second most important commercial venture is a historic trade accord the two countries signed with the United States in December 2004. The accord provided for the establishment of joint industrial zones in Egypt (QIZs) from where goods will be exported to the USA duty free.²⁹

In the past five years, Israeli and Jordanian companies have widened cooperation in further strategically important areas of the economy, such as in the use of Israel's Mediterranean harbor of Haifa by Jordan, a project to alleviate the water shortage of Jordan and the Dead Sea, sub-regional economic conferences, and the question of employing foreign workers in Israel. Israeli entrepreneurs spread their business relations past the neighboring countries into other Arab states. Thus, Israeli entrepreneurs took part in tenders with Jordanian partners for example in Iraq's infrastructure and ICT-sector, once Netanyahu, as finance minister, had signed a general permit authorizing trade with Iraq.

Another promising cooperation for Israel's future position in the Middle East has become the partnership with Turkey. There are already close relations in trade and production, including the arms sector. At the so-called Ankara Forum for Economic Cooperation between Palestine, Turkey and Israel, business associations from these countries agreed that entrepreneurs from all three nations would work together to

summer of 2006. According to the IEI the number of Israeli exporters operating in Egypt stands at 257, that of Israeli exporters in Jordan at 1,300 (FICC 2006).

26 By analyzing the Israeli, Jordanian and Egyptian national economies and their sub-regional economic structures, one could note the asymmetrical character of these completely different levels of development. I would not undervalue the potential for conflict, but considerations of these consequences will be dealt with elsewhere and are outside the scope of this article.

27 Israel and Jordan are also presently negotiating with the EU over such trilateral preferential trade accords. The "cumulation of origin" is very important, particularly in labour-intensive branches such as the textile industry, giving the Middle East producers a competitive advantage over other regions. These cooperation attempts would mainly continue—partly reduced and under more difficult circumstances—during phases of political crises as well.

28 IEC (Israel Electric Company) signed the initial agreement with EMG, a natural gas cooperative jointly owned by Israeli businessperson Yossi Maimon, the Egyptian government and several Egyptian businesspersons. The deal would make EMG the second-largest supplier of natural gas to IEC.

29 For the Egyptian textile sector and QIZ, see for example *Al-Ahram Weekly* (24–30 August 2006, 17–23 August 2006).

revitalize the Erez industrial estate in Gaza, and to develop business and catalyze growth.³⁰

On the other side, Israeli entrepreneurs founded their own institutions for regional economic activity.³¹ These institutions have promising potential for Arab-Israeli relations, not only in the tourism sector. Almost half a million Israelis are of Moroccan descent, about 247,000 from Iraq. Numerous entrepreneurs cultivate not only personal relationships, for example, with Morocco, with whom Israel has never been at war, but are interested in utilizing these trade, culture and cooperation channels more intensively and for broader business activity.

Options for Israel's Relations in the Middle East

Firstly, political regulation of the Middle East conflict enables official contacts and relations to begin with all sides. As long as economic cooperation and integration are still primarily political questions, it is the "materialization" of normalization that will determine further essential development in the Middle East. Is the fear of Israeli economic dominance justified? Would the asymmetric interdependence that could exist between Israel and the Arab states lead from extensive economic cooperation to a transformation of the Middle East conflict system, but not to a conflict settlement? As explained, the state of Israel today maintains official relations with only some states in the region. At the same time, it takes a more open and complex position than during the 1990s. Israeli entrepreneurs have not exhausted the potential that the entire region offers, besides having started sub-regional projects, and consolidated bilateral relations. Many entrepreneurs withdrew after euphoria and disappointment over unrealized profit expectations and looked toward other regions (Bouillon 2004).

The influence of external interest groups on inner-regional connections and non-economic factors as well as the global relations and structural obstacles in the regional states play a determining role in Israel's interactions in the Middle East. Besides the economic factors, mutual resentment and newly created (political-religious) enmity could be decisive in whether attempts at a positive Israeli affiliation to the region will again be reduced, or can proceed further and become more firmly established. Four short and middle-term options are apparent:

1. Israeli entrepreneurs still consider the Middle East area as an addition, not as an important goal in itself. Sub-regional cooperation is substantial above all in the areas of manufacturing and trade; entrepreneurs continue to move labor-intensive areas to the periphery (QIZ preferred). In the cluster position, Israel concentrates on its technology and research centers; the asymmetry between center and periphery is established. The approach in other areas, including

30 See for example *Haaretz*, January 2006; Turkish Press (6 January 2006), The Union of Chambers and Commodity Exchange of Turkey (3 January 2006).

31 Such as the Israel Egypt Chamber of Industry and Commerce, the Israel Jordan Chamber of Commerce, the Israel Morocco Chamber of Commerce and Industry, the Israel Turkey Business Council.

the perception in society, does not change much. In Euro-Mediterranean relations, Israel secures its special position in economy and research for the EU in the Middle East (rationalism variation).³²

2. Israel withdraws from further territories in the West Bank, gives the Palestinians in East Jerusalem the municipal authority and thus improves the formal conditions for a next step in Israeli–Palestinian conflict settlement. In the Mashreq they firmly integrate production relations (see 1.) in sub-regional cycles. Israel and the GCC states therefore establish a larger intersection of common (economic) interests and spheres of trade during the course of economic development and regional diversification under the appearance of new, pragmatic, and progressive elites, without initially having to suppress this economic connection politically and publicly. They form trans-national companies and research centers, and with that join the advantages of both sides to an integrative network (idealism variation).
3. The asymmetry between Israel and Arab developing states increases. Domestic societal tensions struggle for power and intensify cultural differences to conflicts, and transform the Middle East conflict to a higher level of danger in the global system. Israel is negatively integrated and cooperatively less positively interwoven in the Middle East (neo-realism variation).
4. Israel's entrepreneurs are oriented internationally, but interested regionally, like most business elites of the states in the Middle East. In the region there is a cooperation of different speeds. Sub-regions form the core of the Middle East, which each show specific characteristics. In the changing relations of globalization and regionalization, the sub-regions are strengthened; entire regional cooperation and institutions remain fragile (differentiation variation).

Summary and Outlook

Which of these scenarios will gain acceptance depends on regional and global factors, on developments in the Arab states and societies and, above all, on Israel's self-positioning and the way it views itself as a state and society in the Middle East. The largest part of Israel's business community has no deep generational roots in the society and in the region. They wanted an opening because they were interested to act globally, not regionally. The society has chosen an open system patterned after the US-American model. Now that a large degree of transnationalizing national capital stocks has become natural, nobody is alarmed anymore over the question of *Haaretz* "Is Foreigner Inc. Taking over Israel?" (*Haaretz*, 22 February 1999).

The vision of the "new Middle East" motivated the business community to orient itself more towards the region. A large part had built up a wide network of new contacts and relationships with Arab entrepreneurs in the past few years. At the same time, they were taking advantage of globalization as well as regionalization, and

32 Shmulik Shelah, Freescale Israel general manager, described the Israeli niche in a global perspective: "We must be a little cheaper than the Americans, and a lot better than the Indians. That's the golden mean." (*Globes*, 24 May 2006)

achieved growth rates in revenue and profits. The linear, narrow connection between peace and the regulation process on the one hand and economic prosperity on the other also had a micro-economic effect on the country's biggest companies.

Apart from contacts on the micro-social level, in the political and economic fields, there had been a predominantly "negative integration" of the Israeli state and economy in the Middle East, determined by war and conflict, political disapproval and boycott. Even though Israel's political recognition by Arab and Islamic states and a comprehensive "positive integration" of Israel in the region still require a settlement of the Israeli–Palestinian and Israeli–Arab conflict, Israeli–Arab contacts and relations have improved following the conferences in Madrid in 1991 and in Barcelona in 1995. Israel's business community was in the forefront of initiating new contacts to counterparts in surrounding states in several areas from agriculture to information technology. In MENA's developments, Israel practices open regional cooperation, which is mostly sub-regional. These relations are still fragile, but there is an effort towards positive integration that is taking root. Apart from this, Israel watches developments and trends in the Middle East, but based on its economic structure and political ambitions, its interests are mainly oriented to the industrial countries and emerging markets outside the region. However, this is a potential integrating factor for Israel, and the regional and inter-regional economy as well,³³ in competition for global space with China, India and other economic newcomers.

Israeli entrepreneurs and the State of Israel are more solidly anchored in the region than before 1990. But that is not the decisive question. The prevailing conditions and mutual perceptions have changed. The Middle East itself has changed, the "new Middle East" or "the same old Middle East," whether it will become a "broader Middle East" or a "greater Middle East" or a Euro–Mediterranean space is relatively dependent on the observer's point of view, and first and foremost politically determined. Regional economic *integration* exhibits no required preconditions for development in most of the Middle Eastern states. For the business community in Israel it is not an urgent question, as long as entrepreneurs do not see themselves at risk economically from worldwide competition and existentially "threatened." The basis for Israel's economic cooperation in the Middle East still exists.

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³³ With special focus on the Euro-Mediterranean Partnership, and the future perspective of the Euro-Mediterranean Free Trade Area 2010.

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