



**Gulf Research Center**  
Knowledge for All

# **The EU and the GCC:** Challenges and Prospects under the Swedish EU Presidency



Edited by  
Christian Koch  
and Leif Stenberg

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*Edited by  
Christian Koch and Leif Stenberg*



Gulf Research Center  
Dubai, United Arab Emirates

**Gulf Research Center**

187 Oud Metha Tower, 11th Floor,

303 Sheikh Rashid Road,

P. O. Box 80758,

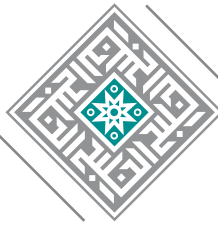
Dubai, United Arab Emirates.

Tel.: +971 4 324 7770

Fax: +971 3 324 7771

E-mail: [info@grc.ae](mailto:info@grc.ae)

Website: [www.grc.ae](http://www.grc.ae)



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By publishing this volume, the Gulf Research Center (GRC) seeks to contribute to the enrichment of the reader's knowledge out of the Center's strong conviction that 'knowledge is for all.'

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**Abdulaziz O. Sager**  
Chairman  
Gulf Research Center

# About the Gulf Research Center

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The Gulf Research Center (GRC) is an independent research institute located in Dubai, United Arab Emirates (UAE). The GRC was founded in July 2000 by Mr. Abdulaziz Sager, a Saudi businessman, who realized, in a world of rapid political, social and economic change, the importance of pursuing politically neutral and academically sound research about the Gulf region and disseminating the knowledge obtained as widely as possible. The Center is a non-partisan think-tank, education service provider and consultancy specializing in the Gulf region. The GRC seeks to provide a better understanding of the challenges and prospects of the Gulf region.



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# Introduction

*Christian Koch and Leif Stenberg*

Given that slightly more than 20 years have passed by since the 1988 EU-GCC Cooperation Agreement (then under its precursor, the European Community), it is appropriate both to take stock and look forward, to evaluate what has been accomplished, and analyze what the experiences of the past years might mean for the road ahead when it comes to the issue of GCC-EU relations. It is also useful to explore new areas of cooperation and possibly consider new approaches in order to overcome existing obstacles or deadlocks.

While there exists a level of skepticism when it comes to the balance sheet of EU-GCC relations in particular as far as the implementation of numerous policy prescriptions is concerned, there is little doubt that institutional ties between the two blocs have emerged at several levels. On the multilateral side, there are the relations between the European Commission and the GCC states, primarily in connection with the negotiations over a free trade agreement, and between the rotating EU Presidency and that of the GCC in terms of running annual ministerial meetings and putting forward an agenda of the issues to be discussed. In addition to the multilateral framework, relations have similarly proceeded at the bilateral level between individual member states. This is an important aspect given that as far as the GCC is concerned, decision-making is still taking place at the individual national state level rather than within the framework of the multilateral GCC and its secretariat. Meanwhile, within the EU, the country that holds the six-month presidency of the EU takes on an important role in defining and moving forward the EU's external relationships. Given that the GCC states do not fall within the ambit of formal strategy such as the EU's Neighborhood Policy, the development of

relations between the two sides is impacted by the time and effort that a respective EU presidency accords the development of deepened ties. Past experiences have shown that during presidencies that have both the capacity and determination to focus on the development of GCC-EU ties, such as those of Germany in the first half of 2007 and France in the second half of 2008, progress can be made and institutional ties advanced. During other presidencies, this is not necessarily the case and EU-GCC relations fall into a certain limbo.

With the Swedish EU Presidency from July to December 2009, the Gulf Research Center (GRC) and the Center for Middle Eastern Studies at Lund University, Sweden, organized a two-day conference on June 8 and 9, 2009 in Lund, Sweden on the topic of “The EU and the GCC: Challenges and Prospects under the Swedish EU Presidency.” The meeting was held within the framework of the Al-Jisr Project on EU-GCC Public Diplomacy and Outreach Activities which is supported by the European Commission as well as Lund University’s strategic research area “The Middle East in the Contemporary World.” Much of the discussion focused on the status of relations and how current sticking points or obstacles could be removed or resolved under a Swedish leadership of the EU. In addition, the workshop attempted to highlight the increased strategic importance of the Gulf region to the EU and made a case for the need to remain engaged to impact development there.

### *A Need to Explore Common Issues*

For better or worse, EU-GCC relations remain dominated by the inability of the two sides to come to an agreement on a Free Trade Area. While the Joint Council meeting held in Muscat at the end of April 2009 underlined the broad commitment of both sides to broaden and deepen relations outside of the scope of a FTA, the issue nevertheless hangs over ties like a dark cloud that cannot be circumvented. No doubt, the announcement by GCC Secretary-General Abdulrahman Al-Attiyah at the end of 2008 of the unilateral suspension of the FTA talks took the EU by surprise. But it should not have. The fact was that the talks, although complicated and detailed, had been going on for too long with never-ending suggestions since 2003 that this would be the year when a deal would finally be sealed. The GCC also felt that it was the one being asked to make all the concessions and that negotiations increasingly were a one-way street where the EU demanded and the GCC had to give in. Without sufficient flexibility from the EU side, the continuation of talks became untenable; thus, a decision on a time out was taken by the GCC side. Furthermore, a perception had been gaining momentum within the GCC that the

EU has contributed little in terms of helping to integrate the GCC into global markets and that, in terms of its trade position, the EU had in fact been highly inflexible. It thus has become clear that unless the issue of the FTA is resolved, other areas where cooperation could be advanced will be held back as well. In this context, the current inflexible economic policies have served as an impediment to achieving broader political objectives.

Encouraging is the fact that despite a formal suspension of the negotiations, a commitment emerged at the joint council meeting in Muscat in 2009 to continue with those discussions. More importantly, beyond the issue of the FTA, it is clear that the EU and the GCC see themselves as potential partners on a whole set of other economic issues especially in light of the current global economic and financial crisis. With the two sides representing well-integrated blocks, closer coordination can be achieved in the fields of economic governance, the role of sovereign wealth funds, and follow-up action on the ideas that have been formulated on how to deal with the current financial crisis. The concept of Islamic finance was also mentioned as a field where the current dependence on European norms of financing could be replaced with a more even-level interdependence in financing. Overall, a resumption of the economic dialogue between the EU and the GCC represents an approach that should be pushed for in terms of a broader-based relationship.

Another important area is that of research and development where a more effective network for the transfer of knowledge needs to be put in place. While initial contacts between individuals and institutions from the European and the GCC sides have been established, it is necessary to anchor these points of contacts in more formalized structures that can truly contribute to the development of societies in a mutually beneficial way. This is all more the case as the GCC states continue to grapple with many contemporary issues to improve their educational output. Key issues to be addressed include the enforcement of minimum standards, quality control mechanisms, improving education at all levels, and existing teachers shortages and strains on education administration. Current efforts to overcome some of these deficiencies have not resulted in qualitative improvements, although given the depth of the challenges, this is not surprising. In the context of the EU-GCC relationship, better and more effective collaborations in research areas need to be explored in addition to exploring the reasons for the low participation of GCC students and faculty in EU programs. This latter aspect represents a current shortcoming in efforts to promote educational exchanges, increase educational mobility and even bring together a greater convergence at the decision- and policymaker levels.

Equally important is the realm of culture and public diplomacy which will serve

as the foundation for better understanding and exchange of views among people from both sides. Student and academic exchanges are one area that should witness more concerted action. During the workshop in Lund, for example, the Swedish Minister of Trade Ewa Björling clearly underlined the desirability of such exchanges in order to eliminate what she referred to as a clash of ignorance that continues to exist. There is also the corresponding issue of a higher degree of visibility for the European Union in the region so as to increase its effectiveness and to underline the argument that a continuation of bilateral relations is necessary but ultimately insufficient. The issue of the liberalization of visa regulations as far as the EU is concerned is an area that has caused consternation among GCC states and should therefore be addressed in joint meetings. Meanwhile, it can be acknowledged that civil society engagement between the two sides has been growing as evidenced by the Al-Jisr project that is bringing together institutions from both regions. This is something that can be built upon to see where further collaboration is possible and beneficial. It is particularly necessary as was argued during the event, that the EU-GCC relationship be moved more into the public realm and that relations are not simply limited to annual joint ministerial meetings. Mobilizing contacts and the development of civil society organizations are seen as a critical component to promote inter-regional cooperation. One specific aspect that deserves a greater degree of attention is the promotion of the role of women in the GCC states where prevailing patriarchal attitudes and forms of legal discrimination leading to citizenship inequality continue to exist. Greater political support as well as better media awareness are strategies that should be seen as a part of GCC-EU relations.

Outside the economic and social aspects, the current political climate in both the regions and around the globe underscores the necessity for a reinvigorated commitment in EU-GCC relations. Security in the Gulf remains highly volatile and to the present unresolved issues has been added the phenomenon of rising domestic instability inside Iran as a result of the contentious election results that have pitted two versions of the future of the Islamic Republic against one another. In addition, there are the critical areas of terrorism, non-proliferation, sectarianism, the stability of Iraq and Yemen, and the situation in Afghanistan/Pakistan that sit at the top of the agenda as far as both Europe and the GCC states are concerned. On all these matters, a close dialogue is required so as to focus on common approaches. In this context, it is important that Europe not be seen as an alternative to the still central role being played by the United States in the region. For the GCC states to think that Europe can replace the United States as the key external power in the Gulf is to misunderstand completely present European capabilities as well as

intentions. Instead, Europe's role must be acknowledged as being complementary and offering an additional diplomatic channel that must be better utilized and exploited. In addition, a better effort must be made by the EU side to consider GCC perceptions especially given that the GCC is part of the Gulf and has a stake in peace and stability in the region.

Regarding the regional security environment, there is a definite need for the GCC and the EU to coordinate more closely to promote a common agenda and also to relay that message to both partners and foes. The consequences of failing to move forward toward some form of resolution will otherwise be felt for many years to come to the detriment of all involved. Such cooperation is particularly necessary as far as the nuclearization of the Gulf is concerned where a Pandora's box has been opened, one that will be increasingly difficult to close unless the Iranian case is satisfactorily resolved. It is clear that international and not just EU credibility is very much on the line as far as Iran's intransigence on providing full transparency in regard to its nuclear program is concerned. EU engagement is needed in addition to acknowledging the diplomatic role that countries like Saudi Arabia, Qatar and the United Arab Emirates are ready to play.

On the issue of overall Gulf security, it needs to be gauged what step-by-step process could be contemplated to move from the current contentious state of regional relations to one that is forward-looking and builds on mutually agreed upon objectives. Numerous suggestions have been put forward on a different Gulf security architecture, but there has been no concrete result. Overall, there should also be an attempt to think more broadly about the outlines of a future Gulf security regime that could be implemented with the participation of all Gulf littoral states. For Europe, it also means the development of a more clear Gulf strategy that pays attention to the growth of the Gulf sub-region.

In conclusion, there is a need to focus on the most pressing issues at hand to formulate common approaches and policies, but at the same time it is imperative that the pillars for long-term engagement and sustainability are not lost sight of. The Lund meeting underlined the fact that there is much to recommend moving the relationship between the EU and GCC forward. The papers in this volume are attempts to provide some context to the continuing development of a relationship that already has a fair history to look back upon. With the changing dynamics dominating international relations, a constant reassessment process is more important than ever.

*Dubai and Lund, May 2010*



# 1

## The Gulf Security Environment and the Role of the EU

*Saleh Al-Mani*

### **Introduction**

Gulf security order or disorder, if you will, is a mixture of real fears, interests, as well as perceptions. Those perceptions are not merely tied to what one can refer to as elite perceptions, but they sometimes derive from an underlying strata of public opinion that tends to influence the opinions of decision-makers even if not directly dictating them. In essence, national security has historically been the pre-occupation of the elites, who draw general outlines for the public to follow. This is the case except for small vociferous groups – such as those who held demonstrations in London and Strasbourg against the recent NATO summit meeting – that, however, are seen as playing rather marginal roles in determining the outcome. Meanwhile, in the Gulf region, the role played by public opinion has to be seen as more than marginal and while not always effective in manifesting policies, such public opinion is taken into consideration and has influenced the outlines of state or leadership policies.

Gulf security is fraught with the fears of each riparian state of the other major actor or powers' intentions and policies. Among the GCC six member states, there is already a developing security community, but this community cannot be said to include Iran or Iraq at the present time. In fact, sometimes major actors within the GCC have used the external threat posed by these two countries to coax or threaten another neighbor into an agreement.

In this context, it used to be safe to say that Gulf insecurity is externally based. However, after 9/11 and the invasion of Iraq, it is very difficult to limit this insecurity solely to an externally based threat. What emerged from that traumatic

experience for this region is the intended and unintended can of worms in which the internal threat clings to the external elements and interacts with it. For example, as 9/11 brought about a general fear or hostility towards Islam, particularly Sunni Islam, the invasion of Iraq was not seen by Gulf or Arab public opinion merely as a foreign invasion of an Arab country, but also as an attempt to replace a Sunni-based government in Baghdad, with a Shi'a government emerging from the southern regions of the country. This feeling was widely shared by the public and policymakers and this perception continues to impact relations between Iraq and Saudi Arabia. The close connection between domestic and external factors can further be seen in the rekindled hopes of the Kurdish minorities in Turkey, Syria, and Iran to establish a quasi-independent "state" for the Kurds in Northern Iraq following the invasion. This, in turn, caused similar Kurdish local entities in adjoining countries to emulate their brethren across the borders.

When the invasion of Iraq brought the Shi'a to power in Baghdad, other Shi'a minorities in the Gulf States, particularly in Kuwait, Bahrain and Saudi Arabia, encouraged by the developments in Iraq, began to formulate their own platform for action. With regional governments slow to react to their growing demands, they began to look across the borders for religious guidance (*marjiaiah*), particularly in the religious *marjiaiah's* of Iraq. Iran, on its part, began to act as a supporter of the Shi'a faithful, not only in Iraq, but also in the Gulf region. The fact was that Iran saw itself as having won the day in Iraq by seeing a quasi-puppet regime installed in Baghdad that was led and staffed by former refugees in Iran and Syria. Tehran saw a further opportunity to expand its regional influence by sponsoring the Shi'a minorities in the rest of the Gulf. Thus, the invasion of Iraq had a regional domino effect by apparently finally bringing the results of the 1979 Iranian revolution to the elites of the GCC states.

It is this linkage between internal politics and external ones that maps the regional security paradigm in the Gulf. When one talks in Europe or the US about the Iranian problem, the primary concern centers round the Iranian nuclear threat. However, when the GCC states talk of the threat from Tehran, they are speaking about a wider phenomenon, one that brings together the tribulations of the nuclear agenda and the sectarian dimension.

## **1. Dynamic Forces at Play**

The regional environment in the Gulf is further complicated by the two forces at work: one international or global, pertaining to a quasi-stalemate in geopolitical

relations due to the expected drawdown of US forces from Iraq, and the other regional, in which the power, influence and stature of Iran is increasing at the expense of other states in the region, particularly Gulf States. The regional aspect is static but relates to constant shifts in the geopolitical contours that define the Gulf.

Two important attributes of the regional countries must be mentioned in this analysis. On the one hand, most Gulf States are status quo countries. They argue that regional problems can be solved through diplomacy and negotiations. On the other, Iran and its allied sub-national actors in the region are “challengers” of the status quo, or revisionist, and argue that solutions can only be attained through a rejection of the current distribution of power. They follow a brinkmanship policy in which demands are pressed short of a possible military confrontation. As such, the result has been that while the Gulf States banked on their wealth and international prestige to keep themselves secure, Iran relied on a three-pronged strategy: to exploit the failures of the region to establish an all-encompassing regional security system; to expand on the opportunities being presented, particularly in Iraq and Afghanistan; and to rely on Arab public opinion and semi-armed sub-national groups such as Hamas and Hizbollah to advance Tehran’s own agenda. Iran further benefited from its endowment of uranium deposits in its effort to change its status and power and to advance from a low technology-based state to one on the verge of nuclear armament.

The Iranian objectives were also made possible because the Arab state system, including the Gulf States, had failed miserably in its age-old drive to find a just solution to the Palestinian problem through diplomatic means. Having abandoned all their cards in their negotiations with Israel, most Arab states had no fall-back position when faced with the belligerence of Israel. Ever since Ariel Sharon’s invasion of the West Bank in 2002, Israel seems to have abandoned the peace process. Recent pronouncements by Prime Minister Benjamin Netanyahu and his foreign minister, Avigdor Lieberman, on the forceful and de facto annexation of Jerusalem and the rest of the West Bank have effectively killed the idea of the two-state solution. During this entire period, the Arab leaders, particularly in the Gulf, have attempted to table their peace proposals, but at the same time, they concentrated their energies on internal state building without considering the possibility of the failure of their age-old peace initiative. This situation has been exploited by the regime in Tehran. In addition, the failure of the Arab state system to deal with the Israeli threat opened the window for other sub-national actors, like Hamas and Hizbollah, to portray themselves as being in the frontline against Israeli

aggression. Here it is necessary and imperative to note that within the context of Gulf security the Palestinian issue is a powerful force affecting the environment and perceptions of the public at large.

## **2. A Role for the EU**

On the three issues of primary importance to the Gulf – Iran, sectarian issues and the Arab-Israeli conflict – the role of the EU must be explored. As far as Iran is concerned, the EU has been fixated with the Iranian nuclear issue and has offered to Tehran both the carrot and the stick. While the EU and the US have carefully monitored Iranian enrichment violations through the Security Council, they have been unable to persuade the government of President Ahmadinejad to respond positively to pressures from the world community. As a result, the possibility of a different approach could be on the cards with the key European players and the Obama administration having professed their eagerness to engage Iran in a long and strategic dialogue. Many observers feel that such dialogue will not be effective in forcing the government in Tehran to abandon its nuclear program. In fact, the Gulf States have voiced their fear of a grand bargain in the making between the US and Iran. The Arab Gulf States are not necessarily opposed to the idea of a diplomatic dialogue between the two countries, but they want to have their views and security requirements as part of the overall discussions. Thus, the ultimate outcome of a bargain is a peaceful, non-nuclear Iran, acting responsibly in its neighborhood and engaging in economic development programs that enhance its economy and its interaction and trade with neighboring countries. In return, it is clear that the basic fear of Iran's decision-makers of a policy of regime change championed and instigated by the West must be taken care of by the international community. In this regard, it is beneficial to both the Gulf States and the EU countries to coordinate their policies towards Iran and at the same time not engage in a race to appease the government in Tehran.

In addition, both the Gulf States and Europe have invested huge political capital in trying to find solutions to the Israeli-Palestinian quagmire. The US on its part has historically been reluctant to take bold actions and to pressure its ally in Tel Aviv. But given the fact that a new administration in Washington seems to share some of the views of the Arab World and Europe in establishing a state for the Palestinians, it is time for the GCC and the EU to support the Obama administration in this regard and to push the Israelis and the Palestinians into re-launching their peace talks with a deadline and a vision toward certain acceptable conclusions. Neither the

Arab World nor Europe can afford the continuing issue of expanding settlements alongside the unanswered cries for peace. More to the point is that the appeasement of Israeli governments by the US and some European countries has only been answered by increased and sustained belligerence from Israel. Here, decisions by the EU to resupply Israel with weapons are seen by millions of people in the Arab World as supportive of the recent massacres in Gaza and the continued suffering of the Palestinians under occupation in the West Bank.

### **3. Policy Prescriptions**

Although there might be universal agreement on diagnosing the security situation in the Gulf, there is little agreement on prescribing a solution. Some, like Joseph McMillan, Sokolsky and others have argued for a collective security architecture in the Gulf region, modeled after the OSCE to establish, on an incremental level, regularized multilateral connections on security issues between the GCC, Iran and Iraq. Others have argued for certain specific proposals such as establishing a nuclear-free zone in the region that might then promote a more conducive and confidence-building environment. Interestingly, since 2004, the GCC annual summit has called for the possible creation of a Gulf-wide zone free of weapons of mass destruction, but such proposals have fallen on deaf ears in neighboring countries, particularly in Tehran.<sup>1</sup>

Within such considerations, it appears that one of two conditions must be attained before any grand scheme could be implemented – one of common trust and understanding between the major players and/or a sense of strategic fatigue. Unfortunately, for the time being, neither of these two conditions is prevalent in the Gulf and this, in turn, only leaves as a viable solution the current situation of military alignments with external forces. The GCC's requirement for military support from the United States is not a real burden to the latter as the 11,000-13,000 soldiers deployed in the region have kept the peace for the past 30 years. As a result, a US drawdown of forces from Iraq would still leave in place numbers that would be sufficient to keep maintaining the security of the Gulf in the foreseeable future.

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1. For a general overview of Gulf security, see Richard Russell, "The Persian Gulf's Collective – Security Mirage" *Middle East Policy* XII, no. 4 (Winter 2005): 77-88, and Craig G. Dunkerley, "Considering Security Amidst Strategic Change: The OSCE Experience," *MEPC Journal* 11, 2009. For a general overview of regional proposals to create a WMD Free Zone in the Middle East, see V. Cserveny et al., *Building a Weapons of Mass Destruction Free Zone in the Middle East: Global Non-Proliferation Regimes and Regional Experiences* (Geneva: UNIDIR, 2004).

In terms of the Iranian nuclear issue, the UN Security Council has already globalized this problem. Given the mixture of sticks and carrots that has been offered to Tehran, it would seem reasonable to expect that the rising pressure on Iranian decision-makers would reach a point wherein Iran initiates a shift in its priorities. To encourage movement in this direction, the Gulf States have made moves towards Iran. Bilateral agreements on curbing illegal movements of people or strengthening the fight against drug trafficking has kept channels of communication open to Tehran without necessarily resulting in a formal institutional build-up of relations to the level of a full security regime. At the same time, Tehran needs to be warned against exacerbating sectarian tensions in the region in the hope of increased influence. For their part, the Arab Gulf States have historically shunned championing the causes of different minorities in Iran itself even though Sunni minorities in Iran are not represented in Parliament or other national institutions. Recent developments and tensions in Zahedan and Beloushistan, which is largely populated by Sunnis in Iran, and the resulting casualties have underlined how volatile and explosive playing the sectarian card can be for Iran itself. Therefore, it behoves Tehran to respect the national unity and sovereignty of adjoining GCC countries and refrain from playing sectarian or ethnic politics. There is a saying in Arabic which states that ethnic and sectarian conflict (*al-fitnah*) is dormant and curse those who instigate it or awaken it from the dead.

A possible Gulf regional arrangement can also not be limited to Iran but must involve Iraq and Yemen as well. Iraq continues to go through periods of volatility, and deteriorating conditions could still result in a security vacuum especially as the US draws down its forces. As far as the GCC countries are concerned, they have remained suspicious of the Al-Maliki government, viewing it as a puppet of Iran and a government that has failed to resolve sectarian tensions. While some argue that Iraqi national identity is on the rise, it is equally the case that Tehran has increased its power and abused its status in Baghdad and in the South. And while the Gulf countries, despite US and UK prodding, will continue to view a government headed by Prime Minister Nuri Al-Maliki with suspicions, a review of the current policies might be warranted if serious attempts at national reconciliation are made by the government in Baghdad. The trip by Kuwaiti Foreign Minister Shaikh Mohammad Al-Salem Al-Sabah to Baghdad had a huge symbolic meaning and could turn out to be an indicator that a new era of relations is beginning to take shape. For the moment, a whole-hearted GCC engagement with Iraq is not in the pipeline, but provided security continues to improve on the ground and the political process stabilizes, the next few years could witness more full-fledged political, trade

and security relations between Iraq and its southern neighbors. In fact, a successful national reconciliation outcome in Iraq would have a positive spill-over effect on political conditions in the GCC countries.

As far as Yemen is concerned, it remains the soft underbelly of the Gulf States. Security there has suffered from the twin effects of Al-Qaeda attacks as well as the Al-Houthi movement in Saada. Despite an enormous aid package agreed to for Yemen in 2007, the economic conditions in the country remain miserable, causing some political groups in Southern Yemen to demand the separation of the South. To overcome such situations, it would be sensible for the GCC countries to establish small free-trade zones between the northern Yemen border and Saudi Arabia, and an eastern free trade zone along the Oman-Yemen border. If sufficient capital from all GCC States as well as from other countries can be brought into these zones to create broad-based economic development, this could have a positive effect on areas in both Yemen and adjoining GCC states. Collaboration between Gulf Development Funds and their counterparts in Europe would be another way to assist in the alleviation of the current poverty and instability in Yemen. Recently, labor from Yemen, both legal and otherwise, has found its way into GCC construction and other projects. Here, the GCC countries could adopt more lenient policies that would allow migrant workers to enter the GCC and thus ease the current poverty in Yemen.

## **Conclusion**

It is certainly too optimistic to speak of a full regional security structure existing or even emerging in the Gulf region. The time for this grand scheme has not yet arrived. What one needs for the moment are general rules of behavior respecting the national sovereignty of each Gulf state. To be sure, a justifiable political solution to the Palestinian quagmire and the re-launching of direct Israeli-Palestinian negotiations would go a long way in stabilizing the larger Arab political arena, including the Gulf region. Second, while Iran's nuclear program is on everybody's list, the GCC states should work closely with the EU and the US to convince Iran to halt the military aspects of its nuclear program and implement the relevant UN Security Council resolutions. Third, the GCC states must grapple with the Iraqi problem, particularly with the expected security void that may arise from a US withdrawal of its forces. A GCC policy that stops short of full engagement with the current Iraqi regime is called for. The window of opportunity remains open but a constructive policy approach must address security, political, and trade issues, as

well as concerns related to old loans and the 1991 war reparations. Finally, Yemen is the neglected ally and neighbor that heavily impacts the Gulf security paradigm. Yemen's security and unity have been put into question. It is therefore to the benefit of both the GCC and the EU to alleviate the current difficult conditions in the country.

## 2

# The Gulf Security Environment

*Anoush Ehteshami*

### Introduction

In 2009, the Middle East entered a new era in its regional relations. Firstly, President Obama's drive for improved relations with the Muslim world, as so completely set out in his 4<sup>th</sup> of June speech in Cairo, will have a dramatic impact on the politics of the Middle East. From the peace process to Iran's position in the region, all of the core issues are under the spotlight. It was not very surprising therefore to have President Obama's message condemned from two quarters likely to be exposed to the thrust of America's new strategy. Osama bin Laden accused the US president of planting the seeds of 'revenge and hatred,' and Iran's Supreme Leader said a day before Obama's much-heralded Cairo speech that the United States remained so deeply hated that words could not change America's standing. "In the past few years, American governments, especially the government of the foolish former president... have occupied two Islamic countries, Iraq and Afghanistan, under the pretext of the fight against terrorism. You witness that in Afghanistan, American warplanes bomb people and kill some 150 not once, but 10 and 100 times. They kill people continually. So, terrorist groups, do what you are doing there... If the new president of America wants a change of face, America should change this behavior. Words and talk will not result in change."<sup>1</sup>

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1. Ayatollah Khamenei was speaking at a ceremony marking the 20th year of the death of the founder of the Islamic Republic, Ayatollah Khomeini. See BBC News, June 4, 2009.

Secondly, the Arab Peace Plan has emerged as the only viable key for unlocking the door to peace in the Arab-Israeli conflict. The influence of this peace plan, as championed by Saudi Arabia and adopted by all Arab parties, will help redraw the geopolitics of the region in new ways. Was Israel to accept the contours of the plan, then good relations with its Arab neighbors could follow very quickly. Thirdly, domestic political forces are emerging to reshape the region as the political space is opened up to competition. Electoral politics, in particular, is likely to leave a long mark on the political dynamics of the region. Elections in Kuwait, Iran and Lebanon just few weeks apart over early summer of 2009 are the case in point. Each one has left a significant mark on the domestic workings of each state, and each has also made a strong impression on regional politics. These winds of change blowing in 2009 should be understood in the broader context of inter-Gulf relations. As is now widely accepted, the Gulf sub-region has emerged as one of the international system's most significant constituent parts, whose natural resources, financial strength, religious complexity, geopolitical dynamism, and security challenges continue to impact – and in some instances actually regulate – the tempo of international order. This area continues to be one of the most volatile and dynamic regions of the world. Further to the impact of 9/11 on the region's security, the Gulf's omnipresent strategic edge as the hub of the world's hydrocarbon resources has in recent years acquired a further strategic edge as demand for its hydrocarbon resources has seen substantial growth with the rapid globalization of China and India and massive increases in the consumption patterns of other pivotal regional economies (such as Brazil, South Africa, East Asia tigers). The worsening of the security dynamics of the Gulf sub-region has remained a major international concern, and violence and militarization of the region have not ebbed. Furthermore, new security fears have emerged as one of the region's major players, Iran, has strived to make significant advances in its nuclear program at the same time as finding itself ever closer to the heartland of the Arab region.

This paper aims to shed light on the Gulf sub-region's security environment, in the process taking stock of the drivers of change in the area. It will identify and examine the core dynamics of the Gulf, focusing on the most pertinent of these. It will do so in the context of the sub-region's inter-state relations, as well as the sub-region's interactions with the West, most notably the European Union and the United States. The paper is divided into three levels of Gulf security analysis. These are what I call incremental security challenges, strategic and macro-level challenges, and the presence and role of external powers in the Middle East's highly penetrated regional system.

## **1. Power Politics**

The polarization and rapid fragmentation of the Arab region after Iraq's occupation of Kuwait in August 1990 increased the tendency for uneven distribution of power in the region. The pattern of fragmentation had indeed been established by Egypt's unilateral peace treaty with Israel in 1979, after having led a number of Arab military campaigns against the Jewish state since 1948. Iraq's two wars with two of its immediate neighbors added to the fragmentation, and the occupation of a fellow Arab neighbor in 1990 added to the Arab region's rapid polarization.

With Iraq thus weakened and under international sanctions between 1990 and 2003, other players grew in prominence. Israel, Iran, Egypt and Syria (in different ways and to different degrees) all gained from the demise of Iraq as a powerful military force in the area. But it was not until this century that new power lines were firmly drawn. It is indeed arguable that with the fall of Baghdad in early April 2003, a new power dynamic has appeared in the region. Although power is perhaps more diffuse today than say in the 1960s and 1970s, with some smaller countries exercising a greater role now, nevertheless the tendency for the key actors to shape the region's strategic map has never been greater. It is this new dynamic which is of vital importance.

Of equal importance also is the role and nature of the major regional players as each competes for a greater regional role. Iran and Israel can be said to be the 'missionary' actors par excellence today, in terms of having a clear mission in their role conception and drive to achieve their objectives. These states are accompanied by Saudi Arabia, Syria and, to a significantly lesser extent, Egypt. Each of these three Arab actors has definable roles, but at the same time they have to adjust to a new dynamic between them. While in the 1990s one could see the beginnings of a tripartite relationship emerging between these three Arab states, since 2003 one is much more conscious of the rise of Saudi Arabia's influence against Syria's and Egypt's weakened position. Syria and Egypt remain critical players in the Arab-Israeli theater and the former's role is also important in the context of the conflict in Iraq. But the ways in which Saudi Arabia has emerged with a clear voice and presence across the Middle East theaters is quite extraordinary. Indeed, in some respects, Riyadh's game may well be summed up as an effort to consolidate its position as the 'first amongst equals.' Although its population base, military strength, religious militancy at home, and exposure to oil price fluctuations continue to make the Kingdom vulnerable, its huge oil wealth and capital accumulation, coupled with its successful global diplomacy (forging links with China, India, the European Union, Turkey, and of course keeping its traditional US ties strong after a blip in 2001-

2002) highlight its demonstrated desire to try and manage Arab agendas. With regard to Lebanon, Palestine and Palestinian groups, the wider Arab-Israeli peace process, and Gulf Arab responses to Iran's challenge, Riyadh's diplomatic presence has become a real force to be reckoned with. Foes and friends now tend to view the Kingdom as a real regional player – not a tentative passive state, but a proactive and sure-footed regional player.

A further significance of this new reality is to be found in Saudi Arabia's prominence in the Gulf sub-region's delicate power relations. The growth of the Gulf sub-region is in itself a feature of the further sub-regionalization of the Arab world.<sup>2</sup> This sub-region, however, is not an entirely Arab one, containing the Gulf Cooperation Council (GCC) countries and also Iran and Iraq as direct players, and Afghanistan, Pakistan and Yemen as extended members of the sub-region. Pakistan and Yemen in particular represent serious security challenges for the sub-region and can very easily affect the stability of the GCC. Both are weak centrally, and in both, radical transnational Islamist groups are taking root. An additional associated danger is that these failing states could become host to the returning insurgents from the war in Iraq. Iraq itself, of course, is another interesting challenge, for its demise as an Arab state can spell disaster for the stability of the Middle East region. Yet, the success of its alternative (and inclusive and transparent) political format – alternative that is to its neighboring Arab countries and also Iran – can pose a different challenge: that of legitimacy.

Iran, on the other hand, poses a potent state-level challenge as a growing and independent regional power which is apparently not beholden to others and therefore, it is presumed, able to absorb external pressures put upon it. For the United States, Iran remains an adversary, and a 'grave threat,' were it to acquire a nuclear weapons capability, according to President Obama. For the Arab states, Iran is a 'challenge' that needs to be dealt with collectively, according to Saudi Foreign Minister Prince Saud Al-Faisal.<sup>3</sup> For Israel, Iran is said to pose the greatest challenge, both directly and also in strategic terms. A nuclear-armed Iran would drastically shift the regional balance of power in Tehran's favor, it is feared, but such a development would also fuel a new and deadly regional arms race as Israel's Arab neighbors are tempted to develop their own nuclear deterrence. Israel's nuclear monopoly will thus end in a rapid proliferation that would cascade from Tehran's acquisition of a nuclear weapons capability, posing both a direct and indirect challenge to Israel's security supremacy.

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2. See Barry Buzan and Ole Waever, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press, 2003).

3. Quoted in *Khaleej Times*, March 4, 2009.

## **2. Confessional and Ethnic Tensions**

Since 9/11, the region has experienced a real hike in ethnic and confessional tensions. Such tensions are not new of course and in North Africa, Lebanon, Iraq, Afghanistan, Pakistan, and Turkey, they have been more the norm than exception. But since 9/11, and particularly since the fall of Baghdad in April 2003, confessional tensions and sectarianism have acquired a much sharper edge. Of prime importance in this context has been the growing tension between the Shia and Sunni communities of the Middle East. The transformation of Iraq into a largely Shia-dominated country, and Tehran's increasingly strident presence in the Arab region, are arguably the root causes of this renewed hostility. Sadly, while intra-Islamic violence is not a new phenomenon, having scarred Islam since the emergence of the four Caliphs, its potential to degenerate into inter-state conflict in the twenty-first century is new and dangerous.

Added to the inter-state problems are the tensions between these two Muslim communities within various Middle East countries – in Bahrain, Iran, Iraq, Lebanon, Saudi Arabia, and Yemen, the sense of discrimination and injustice has already manifested itself in protest or violence, and the specter of the so-called 'Shia crescent' (coined by King Abdullah II of Jordan in 2004) is arguably haunting the Sunni-majority Arab states. The Sunni sect of Islam may have a numerical majority globally (only 10 percent of the world's 1.5 billion Muslims are Shia), but it is in the Middle East that the Shia minority has its strongest presence, so for a number of Arab countries the new partnership between Tehran and Baghdad is inevitably being viewed through a geopolitical prism in which the Shia are seen to be on the march. Such perceptions add inter-societal tensions to the perceived inter-state threats associated with Shia empowerment.

Then there is the Kurdish nationalist movement which periodically affects the domestic politics of Iran, Iraq, Syria and Turkey and has led to violence in northern Iraq and eastern Turkey on numerous occasions in recent years. Such ethnic tensions, combined with confessional confrontations continue to beset the region, and the states themselves will need to find constructive and cooperative ways of minimizing the dangers of escalation of such tensions. The key to achieving this must surely lie in Iraq, but a more positive outcome is also dependent on the ways in which Tehran and Washington finally learn to co-exist in the Middle East, instead of the zero-sum game which has been their characteristic posture.

### 3. Hydrocarbons

Oil exports again proved to be a bounty for the Middle East in the early twenty-first century, with the spot market price of oil rising to over \$150/barrel in July 2008. The five-year strong demand growth began in 2003, from a low of \$28/barrel in September of that year.<sup>4</sup> In this period, the small and major Middle East oil exporters were enjoying a massive boom. Egypt, Sudan, Syria, and even Yemen have all been beneficiaries; as indeed have Algeria and Libya, the traditional oil states of North Africa. But in practical terms, it has been the Gulf States in particular which have enjoyed a spectacular windfall. Data from the main oil-exporting countries shows that this group of states did very well out of the 2003-08 boom, accumulating vast amounts of petrodollars, which in turn stimulated major investment programs and infrastructure projects. The boom also led to the development of new energy and economic partnerships with other Asian countries.<sup>5</sup> Japan, South Korea and Taiwan as Asia's main Gulf oil importers of the 1970s and 1980s have been joined by China, India, Malaysia, Thailand and others this century. China and India have indeed become large oil importers in a relatively short period of time, becoming increasingly dependent on Gulf oil imports.

In the boom years, during 2003-07, the Middle East's total income from oil exports stood at a staggering \$2.4 trillion, with the bulk of that earned by the Gulf producers. Indeed, the Gulf States' share of this bounty was near to \$2 trillion. Furthermore, the region's fiscal revenues from oil and gas could well reach \$5.6 trillion cumulatively during 2008-13, versus \$1.8 trillion during 2003-07.

These vast sums have generated three strategic realities. First, the GCC countries in particular have now emerged as major regional investors in their own right, ploughing their money into other Middle Eastern economies. From Morocco to Pakistan, GCC private and state investors are now significant players, thus increasing the stake of the host countries in the stability of the Gulf oil monarchies. Secondly, the rapid injection of petrodollars has facilitated the growth of the GCC states' sovereign wealth funds as an effective arm of their foreign relations. According to one estimate, the Gulf Arab sovereign wealth funds hold well over \$1 trillion in cash and assets.<sup>6</sup> Since September 2008 we have seen these

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4. According to the International Energy Agency, between 1998 and 2002, the average price of oil was \$23/barrel.

5. Suzanne Malony, "The Gulf's Renewed Oil Wealth: Getting it Right This Time?" *Survival* 50, no. 6, (December 2008-January 2009): 129-150.

6. Sven Behrendt, "When Money Talks: Arab Sovereign Wealth Funds in the Global Public Policy Discourse," Carnegie Papers no. 12, October 2008 (Beirut: Carnegie Middle East Center)

countries flex their financial muscle in the international system and, they have by the same token, emerged as key providers of badly needed cash for Western banks and financial houses. With these SWFs has come influence. With that has also come the recognition that these countries' stability is an essential plank of today's integrated economic networks. Their stability and economic and political health is today of paramount importance to the well-being of the international system.

Thirdly, as noted earlier, high oil prices and rising Asian demand have led to the emergence of new strategic partnerships across Asia. New energy-driven partnerships also have a sharp geopolitical dimension to them, increasing the vulnerability of Asian oil consumers to the stability of the Gulf sub-region in general, and that of its largest oil states in particular. In this new environment, Iran, Iraq, Kuwait, Saudi Arabia, Qatar (for LNG) and the UAE (Abu Dhabi, in particular) are all developing strong partnerships with a whole host of Asian countries. The pattern for Iran in particular is a gradual 'easternization' of its orientation, and for the others, a growing partnership with Asian countries alongside, and even in preference to, their traditional Western alliances.

With petrodollar success in international terms has come some serious pressures too: rising inflation, demands for higher wages and state subsidies for basic consumables, pressures on the routine business of government machinery, bottlenecks in supply chains, citizen resentment of a rising expatriate labor force, rising expectations, a growing reliance on oil income and therefore further rentier pressures. These are all dangers to the stability of the oil states. But the credit crunch has exposed other weaknesses in a number of Gulf quarters. Dubai and Iran, in particular, have been severely affected in this regard. Dubai is badly exposed to the credit crunch and has had to revise its debt-driven growth strategy.<sup>7</sup> It has now lost the shine on its development model and has had to curtail many of its ambitious projects. Iran, on the other hand, badly needs high oil prices to be able to finance its weak economy and also weather the international and unilateral sanctions ranged against it. Its budgetary deficit is restricting the government's ability to pursue its populist policies, and inflation is crippling what remains of its industrial base and financial sector. Reliance on high oil prices for its foreign and domestic policies has left it badly exposed to internal pressure, as Tehran tries to mitigate the impact of declining oil prices on society and economy.

Though petro-politics is not a new phenomenon, nevertheless its changed nature today has made it a fundamental strategic trend to observe, as we adjust

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7. See also Christopher Davidson, *Dubai: The Vulnerability of Success* (London: Hurst, 2008).

to the importance of hydrocarbons in the international system. In terms of their traditional role as the modern world's essential source of energy, hydrocarbons remain significant. The rise of Asian economies as a consequence of globalization has added a further dimension to their global strategic importance, however. Also in terms of the financial resources generated by a relatively small group of oil and gas states in the Middle East, they are increasingly important. The concentration of so much wealth and resources in a highly dynamic and potentially unstable part of the world is unlikely to diminish in importance as a strategic concern.

#### **4. WMDs**

Weapons of mass destruction as a regional problem have been present in the Middle East theater since the 1960s, when chemical agents were said to be present in the wars in Yemen and also the 1967 six-day war. But since the 1970s, WMDs have acquired much more significance with Israel's development of nuclear weapons and acquisition of advance delivery systems and Iraq's efforts in the 1980s to follow Israel's lead. Today, while Iraq's WMD program can finally be declared as extinct, Israel's has grown in sophistication, and its monopoly of nuclear know-how has been challenged by other players, notably Pakistan and Iran. But having said this, a clear distinction still needs to be drawn between the Israeli and Pakistani nuclear programs – which are unashamedly military – and Iran's, which is largely driven by its civilian sector and is (largely) under the IAEA inspections regime. For Israel, however, Iran's program is a direct high-level security (and, to some Israelis, an existential) challenge, and for the Arab states it is a sign of Iran's drive for regional domination, if not hegemony. It has been stated that, "the basic fact is that the Iranian nuclear program poses a serious and equal threat to all the GCC states."<sup>8</sup>

Indeed, in the Gulf context, Iran's apparently rapid progress in the nuclear field since 2007 has set the alarm bells ringing even more loudly. From the GCC states' perspective, the situation is deteriorating rather rapidly: "Over the past few weeks, the GCC's concern about the true nature and development of the Iranian nuclear program has deepened with the surfacing of new information and statements. Different sources have indicated that Iran is moving fast and unhindered towards the objective of acquiring military nuclear capability. During an interview with a leading Arab newspaper, French Foreign Minister Bernard Kouchner pointed out that reliable sources show that the Iran has set up a new site (apart from the known Natanz site) to accommodate thousands of additional centrifuges to speed up the

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8. Nicole Stracke, "GCC and the Challenge of US-Iran Negotiations," GRC Analysis, March 5, 2009.

process of uranium enrichment.”<sup>9</sup> Germany’s external security agency has likewise concluded that Iran never stopped its weaponization program in 2003 and has continued this work uninterrupted. The year 2009, thus, could mark a new watershed in the region’s strategic relations. On the one hand, fear of Iran could provide the glue finally to bring the Arabs and Israel together – to confront the common security foe that would command joint action. But, on the other hand, the view that Iran’s nuclear ambitions are unlikely to go unchecked, and that the international community is impotent in dealing with this threat, could fuel a new WMD arms race in the region. A third possibility would be that of rapid engagement of Iran as part of the so-called grand bargain between Iran and the United States, in an effort to end Tehran’s revisionist position. Success of this strategy too would have strategic consequences for the region and particularly for US relations with its traditional Arab allies and also Israel.

In the last analysis, therefore, Iran’s advances in the nuclear field have acted as a new watermark in the changing strategic map of the Middle East. The resolution of the problem remains an international priority, and so long as President Obama remains committed to containing Iran – he will do everything in his power to prevent Iran developing nuclear weapons, he has said – the potential for another war in the region also remains.

## **5. Looking Forward**

The region’s international relations remain complex and unpredictable, and as has been shown, “the Middle East regional system is not a single undifferentiated arena but rather a complex of partly distinct but overlapping and interrelated sectors.”<sup>9</sup>

In general terms, there is considerable evidence to suggest that since 9/11 the regional balance of power has been moving away from the great Arab powers and shifting towards such countries as Iran and Israel. But the policies of the Arab states remain vital to the overall strategic make-up of the region, and their role cannot and should not be underestimated. Within the Arab region itself too, power has been shifting – the role of Saudi Arabia has grown among the big three, and some smaller players, with their considerable financial muscle and also US support, have grown in significance. The Gulf countries of Qatar, the UAE, and to a lesser extent Kuwait,

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9. Paul Noble, “From Arab System to Middle Eastern System?: Regional Pressures and Constraints,” in *The Foreign Policies of Arab States: The Challenge of Globalization*, eds. Bahgat Korany and Ali E. Hilal Dessouki (Cairo: Cairo University Press, 2008), 101.

fall into this category. These countries are said to be emerging as new influential actors in their own right in the Middle East arena, affecting regional politics in ways that do not always meet with the interests of the major regional actors.<sup>10</sup>

Just as important is to note the significant impact that the region can have on international security and also on today's globalized and rather fragile international political economy. Actions of the Middle East states and those of the region's non-state actors are highly influential in international terms. In this regard, the European Union has a critical role to play.

The Middle East remains a highly dynamic and also penetrated region, in which external powers have proven unable to regulate its politics and yet have little option but to rub shoulders with powerful and influential state actors and non-state forces which continue to manifest revisionist tendencies. This dialectic has dramatically influenced US relations with the region, and since 9/11 has made this relationship more tense and, on the whole, more confrontational.

But as already noted, 2009 provided a new start, for the one critically important new element in the region's strategic equation must be the election of a new American president, and one with an apparently wholly new agenda and outlook. President Obama has entered the White House professing a new policy of engagement with the Middle East. He has expressed interest in reaching out to Iran and Syria, working towards peace in Palestine, reducing America's military presence in Iraq, and generally mending bridges with the Muslim world. This message of hope and diplomatic engagement is important for it signals a different body language to that of the Bush era. It also provides the new administration with breathing space as it sets about embedding America's new policies and priorities. But it is important to point out that there is also some clear continuity with the previous administration's positions. Indeed, a sceptic might be forgiven for concluding that the US outlook has remained hostage to the same mindset as the Bush era. One key driver for the US remains the absolute security of Israel which Secretary of State Hillary Clinton spelled out in tones that echoed Bush's during her visit to Israel in early March 2009. While it is likely that this policy priority (that is to say the concern for the absolute security of Israel) will remain paramount for any US administration for the foreseeable future, it is instructive that under Obama this priority is apparently still being pursued in a rather zero-sum game manner. Interestingly, it would appear

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10. Mehran Kamrava of Georgetown University – Qatar has argued that Iran's international isolation, Iraq's implosion and Saudi preoccupation with other matters post-9/11 have provided the space for these small Arab states to try and punch above their weight and to pursue more maverick policies abroad.

that the absolute security of Israel is also being linked to the containment of Iran, evidently directly affecting the Obama Administration's agendas with such global actors as China and Russia.<sup>12</sup> Clearly, containment has been the driver, even in the efforts to establish direct contact with Tehran, which started in the last year of the Bush administration and led to a high-level face-to-face encounter between Assistant Secretary of State William Burns of the US State Department and the Secretary of Iran's National Security Council Saeed Jalili in July 2008. Iran's isolation, through a new bridge-building exercise with Syria and a reshaping of the Levant's politics, has been viewed through the same prism. Ironically, even reigniting the peace process by the new White House has cynics interpreting it as an effort to curtail Iran's influence in the region. So, while President Obama is seen as a breath of fresh air, regional friends and foes alike remain suspicious and weary of some of his proposed policies and uncertain of the direction in which his professed priorities will take the region.

In the last analysis then, what we see is that while the Gulf sub-region has a dynamic life of its own, the international integration (and indeed segmented globalization of parts) of it has resulted in the area being highly penetrated by great powers. But that is not the end of the story, for while the Gulf's permeability makes it vulnerable to outside forces, it also results in its instabilities being transferred internationally to adversely affect the security and stability of the wider system. In this context, the Gulf and indeed the wider Middle East region represent a classic case of strategic interdependence in action. As we have seen, interdependence is not only a function of the Gulf's relations with the outside world, but is also what regulates inter-state relations within it. Inter-state relations in turn remain in flux as the regional actors continue to look for mechanisms for coping with the political and security fallout from 9/11, on the one hand, and the rise of a new kind of regional multipolarity, on the other. Those familiar with Arab politics of the 1950s and 1960s will read this and probably exclaim, 'so what else is new!' What is new I would suggest is that these forces are now acting in a much more integrated and globalized international environment.



### 3

## **Islamic Banking and Finance and Its Role in the GCC-EU Relationship: Principles, Developments and the Bridge Role of Islamic Finance**

*Mehmet Asutay*

### **Islamic Moral Economy: An Introduction**

Islamic Banking and Finance (henceforth IBF) emerged in the 1970s as a part of the larger paradigm of Islamic moral economy (henceforth IME), which is a modern definition of divinely ordered rules and principles related to economic and financial activities, instruments, contracts and choices. The ontological and epistemological sources of these principles are enshrined in the Holy Book of Islam, namely the *Qur'an*, and in the sayings (*hadith*) and the traditions (*sunnah*) of the Prophet Muhammad.

The practice of Islamic financing and business, in different ways, mechanisms and magnitudes, continued to exist throughout the centuries in the periphery of the Muslim World without any institutionalization until the 1970s. With the creation of independent nation states, the economic and financial systems of the Muslim countries were constructed in a manner dependent on Western practices, norms, instruments and institutions. However, due to the failure of economic development in the Muslim World in particular and in the developing world in general until the 1970s, with a modernist understanding, an identity search through constructivist attempts was made to find the Islamic equivalent of modern institutions, including economics and finance. Thus, as part of identity politics, the term 'Islamic economics' was coined to define the economic and financial sphere in the Muslim world by essentializing the particular behavioral norms peculiar to Muslims as instructed in Islamic teaching; and it aims at creating a human centric economic development

policy as opposed to the materialistic development strategies offered by capitalism and socialism, which were considered as failed and deemed as ‘foreign’ to the value system of the Muslims.

Against the rationalist, self-maximizing and efficiency-oriented capitalist market economy, IME emerged to stress the importance of moral behavior in the market place by filtering the market mechanism to produce socially optimal economic choices in which social justice was claimed to be the essential element. Thus, with such construction emphasis comes the expected shift from a neo-classical notion of efficiency to a morally informed equity. Consequently, in addition to the normative principles found in the Qur’an, with the positive and normative principles derived from the tradition and sayings of the Prophet Muhammad (*sunnah*), a new economic and financial paradigm has been attempted in its modern version.

It is the ‘moral economy nature’ of this construction that distinguishes it from conventional finance and banking, as it aims at producing disciplined or morally filtered economics and financing which should not lead the individuals, but rather should be led by individuals as regulated by the moral economy principles of Islam. In other words, by making direct and strong reference to moral economy, which implies particularly ‘social justice’, ‘growth with purification’, ‘harmony with natural and social environment’, ‘allocation of resources according to social priorities alongside financial ones’, and the ‘prohibition of interest’, IME is a novel mechanism of looking at economic and financial reality.

While it is true that unprecedented achievements have been made in the development of the IBF sector over the last 35 years,<sup>1</sup> it is now a fact that Islamic finance opted out of the identity politics of IME in the 1990s following the influence of internalization and globalization. In addition to the impact of globalization, particularly choosing ‘commercial banking’ as a model, the IBF sector now focuses on efficiency and profitability rather than ‘social justice’ and ‘growth with harmony,’ representing a convergence to conventional finance. While this should be considered as an important source of global recognition, such a shift in paradigm and operation is also due to the overwhelming power of the global financial system, as IBF has now become a ‘hybrid’ or ‘heterogeneous’ product of global financial systems rather than the product of a particular value system, namely Islam. Thus, Islamic finance no longer has the claim of being an ‘alternative’ system, but rather now provides alternative financial products within the existing global financial system. Hence,

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1. Munawar Iqbal and Philip Molyneux, *Thirty Years of Islamic Banking: History, Performance and Prospects* (London: Palgrave Macmillan, 2005).

in its current form, IBF institutions work very much with the same objectives as conventional banking and financial institutions minus the interest, which is replaced by legally sophisticated financial concepts and instruments. This, therefore, facilitates but also explains the integration of IBF into the global financial system.

While such changes in the discourse and operation of IBF have enabled the sector to expand in an unprecedentedly successful manner, there has recently been an internal debate focusing on the divergence between the ideals, as represented by IME, and the realities of IBF, indicating that the ‘commercial nature’ of IBF may result in a similar financial crisis as in the West, unless a return to the ‘basics’ of IME is ensured.<sup>2</sup>

## 1. Essential Features and Development of IBF

As an operational and institutional part of the IME, IBF in a modern institutional sense emerged in the 1970s as a novel financing method to fulfil the expectations of an ‘authenticity’ search. However, in reality the institutional emergence and the development of IBF was very much related to managing the wealth, mainly created in the GCC region as a result of oil boom, in a religiously-informed manner, as Islam as a religion offers instructions related to the economic and financial aspect of life. The historical institutions and financial constructs which shaped financial activities in the Muslim world over the centuries testify to the applied nature of these instructions. However, in its current institutional format, IBF represents the modern version of those traditional principles.

When IBF emerged in its modern version in the early 1970s, the initial perception in the West was not necessarily encouraging, with the BBC and the *Wall Street Journal* of the 1990s identifying it as ‘voodoo economics’ to indicate the impossibility of such a system.<sup>3</sup> However, by the 1990s, due to the success it demonstrated, IBF managed

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2. M. Nejatullah Siddiqi, “What Went Wrong?” (Keynote Address at the Roundtable on Islamic Economics: Current State of Knowledge and Development of Discipline held at Jeddah, Saudi Arabia on May 26-27, 2004 under joint auspices of the Islamic Research and Training Institute, Jeddah; and the Arab Planning Institute, Kuwait), available at [http://www.siddiqi.com/mns/Keynote\\_May2004\\_Jeddah.html](http://www.siddiqi.com/mns/Keynote_May2004_Jeddah.html), accessed on December 13, 2006; Zubair Hasan, “Islamic Banking at the Crossroads: Theory versus Practice” in *Islamic Perspectives on Wealth Creation* eds. M. Iqbal and R. Wilson (Edinburgh: Edinburgh University Press, 2005); M Umer Chapra, “The Global Finance Crisis,” Kyoto Series of Islamic Area Studies no. 2., Research Center for Islamic Area Studies, Kyoto University, Japan, 2009.

3. Abbas Mirakhor, “Hopes for the Future of Islamic Finance” (Lecture delivered at the ‘Documentation in Islamic Finance Conference’ organized by the Institute of Islamic Banking and Insurance (London) and IRTI-Islamic Development Bank, July 17-18, 2002, London), available

to capture the attention of the main players in international financial and banking circles. Subsequently, through product innovation and financial engineering, IBF has become part of the international financial markets recognized as ‘heterogeneous’ financial products. The pragmatist position of IBF institutions, which now shies away from identity politics, played an important role in this growth and international recognition. As a result, in its current form, IBF focuses on *Shari’ah* compliance by fulfilling the legal (*Shari’ah*) norms rather than Islamic moral principles and hence the attachment is to the ‘form’ rather than ‘spirit.’

### *a. Features of Islamic Banking and Finance*

When mentioning IBF, the first reference is normally made to the prohibition of interest in Islam, which, as a normative proposition, is shared with other revealed religions in their most historical forms. While IBF benefits from the above-mentioned value system, there are certain features, which define its operations. These are:

(i) *Prohibition of interest* or *riba*, which is explicitly revealed in the Qur’an. While the main reason for this is mostly mentioned as ‘social justice,’ Umer Chapra<sup>4</sup> refers to the social but also economic consequentialist reasons and rationale for this prohibition. In other words, he, among others, articulates that in addition to economic and financial priorities, social priorities in the society should be favored in the search for efficiency and optimality; and hence prohibition of interest provides a stable and socially efficient economic environment.

(ii) An important consequence of the prohibition of interest is the *prohibition of fixed return* as provided by interest.<sup>5</sup> In other words, IME does not allow capital to gain fixed return without incurring any risks due to its peculiar power through the banking system. On the contrary, capital should be able to gain whatever return is due for its share through an economic activity in the real economy rather than in the financial economy. Thus, by prohibiting interest, IME aims at productive economic activity or *asset-based financing* over the debt-based system, the latter being the main feature of conventional banking and finance. Thus, the asset-backing principle requires that all financial activities must be referred to as tangible assets.<sup>6</sup>

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at: <URL: <http://www.islamicmortgages.co.uk/index.php?id=282>>.

4. M. Umer Chapra, *Islam and the Economic Challenge* (Leicester: The Islamic Foundation, 1992); and *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000).

5. Muhammad Ayub, *Understanding Islamic Finance* (Chichester, West Sussex: John Wiley & Sons Ltd., 2007).

6. Zubair Iqbal and Abbas Mirakhor, *Introduction to Islamic Finance: Theory and Practice* (New York:

(iii) The IME position related to money, which states that *money does not have any inherent value in itself* and therefore money cannot be created through the credit system,<sup>7</sup> provides another rationale for the prohibition of interest.

(iv) By prohibiting interest, IME does not undermine the position of capital, but rather changes the nature of the relationship between capital and work. Therefore, the principle of *profit and loss sharing* (PLS) is the essential axis around which economic and business activity takes places.<sup>8</sup> This prevents the capital owner from shifting the entire risk onto the borrower, and hence it aims at establishing justice between work effort and return, and between work effort and capital. This implies that *risk sharing* is another important feature of IBF.<sup>9</sup>

(v) An important feature which is a consequence of the profit-and-loss sharing principle is the *participatory nature of economic and business activity through participatory financing*. Through profit-and-loss sharing, Islamic financial instruments, capital and labor merge to establish partnerships through their individual contributions. The *shuratic (consultative) method of governing* business is, thus, a natural outcome of this process, which is expected to lead to democratic processes in political governance as well.<sup>10</sup>

(vi) By essentializing *productive economic and business activity*, in addition to prohibiting interest, uncertainty (*gharar*), speculation and gambling is also prohibited with the same rationale of emphasizing *asset-based productive economic activity* (Iqbal and Mirakhor, 2006).<sup>11</sup> However, new legal (*fiqhi*) scholarship is in favor of acceptable levels of uncertainty to facilitate modern financial instruments.

These essential features can be summarized in the Qur'anic injunction that "trade is allowed, *riba* (interest) is prohibited." Thus, profit becomes the essential return for business activity, while the definition of trade in IME is rather broad to include the return on all productive economic and business activities. Comparison between profit and interest can be summarized as follows:

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John Wiley & Sons (Asia) Pte Ltd., 2006).

7. M. Umer Chapra, *Towards Just a Monetary System* (Leicester: Islamic Foundation, 1985).

8. Muhammad Ayub, *Understanding Islamic Finance*, op.cit..

9. M. Nejatullah Siddiqi, *Partnership and Profit Sharing in Islamic Law* (Leicester: Islamic Foundation, 1985).

10. Murat Cizakca, "Democracy, Economic Development and Maqasid Al-Shari'ah," *Review of Islamic Economics* 11, no. 1 (2007): 101-118.

11. Zubair Iqbal and Abbas Mirakhor, op. cit.

**Table 1: Comparing Interest and Profit**

Interest	Profit
Return on capital	Return on a project
Interest is guaranteed	Risk of loss is involved
Fixed return	Variable return
Return on deposit	Return on joint ventures

In institutional and operational terms, further features of IBF can be listed as:<sup>12</sup>

- (i) Community banking aiming at serving communities not markets
- (ii) Responsible finance, as it builds systematic checks on financial providers and restrains consumer indebtedness; ethical investment, and CSR initiatives
- (iii) Alternative paradigm in terms of stability from linking financial services to the productive, real economy; and also that it provides a moral compass for capitalism;
- (iv) Fulfils aspirations in the sense that it widens ownership base of society and offers ‘success with authenticity.’

***b. History and Trends in IBF***

It is a reality that the IBF industry has advanced from niche to critical mass in the last 35 years, and “is one of the fastest growing industries, having posted ‘double-digit’ annual growth rates.”<sup>13</sup> As mentioned above, while the principles and notions of IME have existed for centuries, the institutionalization of these principles in the form of IBF institutions is relatively new.

Mitghamr Saving Associations was established as the first IBF in Egypt in 1963 in the form of an Islamic social banking institution aimed at providing credit to small artisans and entrepreneurs.<sup>14</sup> Due to changing political circumstances, this experiment did not last long, though it did pave the way for the Nasser Social Bank in 1971. Another experiment was launched in Malaysia in 1967 in the form of saving associations (Tabung Hajji Malaysia), which, since then, aim to invest

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12. Iqbal Khan, “Islamic Finance: Relevance and Growth in the Modern Financial Age” (Presentation made at the Islamic Finance Seminar organized by Harvard Islamic Finance Project at the London School of Economics, London, UK, on February 1, 2007).

13. Munawar Iqbal and Philip Molyneux, *Thirty Years of Islamic Banking: History, Performance and Prospects* (London: Palgrave-Macmillan, 2005)

14. Anne Elizabeth Mayer. “Islamic Banking and Credit Policies in the Sadat Era: The Social Origin of Islamic Banking in Egypt,” *Arab Law Quarterly* 1 no. 1 (1985): 32-50.

the savings of potential Muslim pilgrims to help them finance their pilgrimage to Makkah.

In later years, IBF institutions managed to penetrate other financial systems by taking advantage of the opportunities created through economic restructuring and liberalization of the financial system in most Muslim countries. In addition, due to the impetus provided by globalization, IBF institutions were internationalized and managed to enter the international financial systems by providing *Shari'ah*-compliant financial products.

The major institutionalization came with the establishment of the Islamic Development Bank in 1974 as a result of the political mandate provided by the Organization of Islamic Conference, which aimed to act as the development-oriented 'World Bank' of the Muslim world.<sup>15</sup> This was followed by the establishment of the Dubai Islamic Bank in 1975, which remains the biggest Islamic bank in the world (apart from the entirely Islamized banking system of Iran), and the Kuwait Finance House in 1977.<sup>16</sup>

Institutionalization and the financing capacity and asset base of IBFs have shown unprecedented growth since the 1990s. While there were 176 IBFs operating around the globe in 1997,<sup>17</sup> these increased to 261 in 2006.<sup>18</sup> By 2009, the number of IBF institutions had increased to about 500 operating in 75 countries.<sup>19</sup> South and South-East Asia have the highest number of IBF institutions, followed by Africa and the GCC region. In terms of asset base, however, the share of the GCC IBFs is over 70 percent of the entire sector. Thus, "what started as a small rural banking experiment in the remote villages of Egypt has now reached a level where many mega-international banks are offering Islamic banking products."<sup>20</sup>

With around 15-20 percent growth rate per annum, the asset base of the IBFs has reached about \$822 billion globally.<sup>21</sup> It is estimated that within a decade, the

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15. Iqbal and Molyneux, op. cit.

16. Rodney Wilson, "The Development of Islamic Finance in the GCC" (Working Paper of the Kuwait Programme on Development, Governance and Globalisation in the Gulf States, The Centre for the Study of Global Governance, London School of Economics, 2009).

17. Mervyn K. Lewis and Latifa M. Algaoud, *Islamic Banking* (Cheltenham: Edward Elgar, 2001).

18. Mohammed Boudjelal, "Three Decades of Experimentation: Rethinking the Theory of Islamic Banking," *Review of Islamic Economics*, 10, no. 1(2006): 23-39.

19. The Banker, Top 500 Islamic Financial Institutions. Supplement, (November 2009) London: FT Times Business Ltd.

20. Iqbal and Molyneux, op. cit., 1.

21. The Banker, op. cit.

IBF industry will capture half the savings of the Muslim world.<sup>22</sup> In this market-driven industry with global opportunities, the GCC and Malaysia remain the leading region/country in the world.<sup>23</sup> In particular, Malaysia is also leading in terms of maturity and sophistication of products.

It is important to note that in response to the need to regulate this rapid growth in the IBF sector, a number of self-regulating and standards bodies have also been formed to help in the consolidation of the industry. These include the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Malaysia-based Islamic Financial Services Board (IFSB). Global developments include the creation of Islamic capital markets and financial markets in the GCC and Malaysia. In particular, developments in Islamic bonds or *sukuk* have immensely contributed to the growth of Islamic capital markets.

## **2. Convergence between IBF and Conventional Banking and Finance: Sources of European Recognition**

The aforementioned value-oriented features of IBF emanating from IME have been compromised for the sake of efficiency, profitability and competitiveness since the 1990s due to globalization and internationalization, but also because of a rational reading of the Qur'anic principles. As mentioned above, unlike the original institutional nature of social banking, adapting a commercial banking model in IBF has been the main reason for such a paradigmatic operational shift.

In the developments and trends in the operations of IBF, it is now clear that debt-based financing has become the major source of financing in the IBF industry as in conventional banking.<sup>24</sup> On average, from 1984 to 2006, *murabahah* instrument financing (mark-up priced financing products, which are debt-based) constituted 88.1 percent of the mode of financing for the Bank Islam Malaysia Berhad and 67.3 percent for the Dubai Islamic Bank for the period of 1988 to 2006. For the same period, however, *mudarabah* and *musharakah* instruments of financing (both joint venture capital products and hence asset-based) remained on average about 1.7 percent for the Bank Islam Malaysia Berhad and 9.3 percent for the Dubai Islamic Bank.<sup>25</sup> Hence, considering that in IME, equity or profit-and-loss sharing

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22. Iqbal Khan, "Islamic Finance: Relevance and Growth in the Modern Financial Age," op. cit.

23. The Banker, op. cit.

24. Mehmet Asutay, "A Political Economy Approach to Islamic Economics: Systemic Understanding for an Alternative Economic System," *Kyoto Journal of Islamic Area Studies* 1, no. 2 (2007): 3-18.

25. Shinsuke Nagaoka, "Beyond the Theoretical Dichotomy in Islamic Finance: Analytical Reflections

financing is considered superior to debt-like financial instruments, IBF institutions greater involvement in debt-like financing is an indication that IBF has deviated from the aspirational stand and has converged towards more conventional banking and finance.

It should also be noted that due to mimicking of the conventional financial products, speculation and uncertainty have also been brought into IBF through potential futures, derivatives and options. This indicates a convergence towards conventional banking and divergence away from the moral economy nature.

Regarding the above-mentioned operational features, IBF institutions do not serve communities, but rather (similar to conventional banks) they serve markets.<sup>26</sup> Therefore, the claim that IBF fulfils aspirations in the sense that it widens the ownership base of society has not been achieved either, as IBF institutions have not engaged with communities.<sup>27</sup> In addition, the responsible financing aspect of IBF can be questioned, in particular in terms of ethical investment and corporate social responsibility initiatives.<sup>28</sup> Moreover, the value proposition that IBF is an alternative paradigm in terms of stability by linking financial services to the productive real economy is being abused with debt-based products such as *tawarruq*, which is a very critical debt-based instrument.<sup>29</sup>

As the above discussion indicates, in its current commercial form, IBF has converged with conventional banking and finance by adopting efficiency against equity consideration, while the latter is the foundation of IBF. This convergence is not only in the working mechanism, but also in values, as IBF institutions have gone beyond the traditional value system. This indeed explains why it has become popularly accepted in the international financial markets, despite the name 'Islamic.' In other words, if IBF had stayed with its original discourse of an authentic identity

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on Murabahah Contracts and Islamic Debt Securities," *Kyoto Bulletin of Islamic Area Studies*, 1, no. 2 (2007): 72-91.

26. Mehmet Asutay, "A Political Economy Approach to Islamic Economics: Systemic Understanding for an Alternative Economic System," op. cit.

27. Salma Sorially, "Evaluating the 'Social Responsibility' of Islamic Finance: Learning from the Experiences of Socially Responsible Investment Funds," (Proceedings of the International Conference in Islamic Economics and Finance, Islamic Economics and Banking in the 21st Century, Jakarta, Indonesia, November 21-24, 2005, Volume 1); 2005; Mahmoud A. El-Gamal, *Islamic Finance: Law, Economics and Practice* (New York: Cambridge University Press, 2006); Mehmet Asutay, "A Political Economy Approach to Islamic Economics: Systemic Understanding for an Alternative Economic System," op. cit.

28. Sorially, op. cit.

29. M. Nejatullah Siddiqi, "What Went Wrong?" op. cit.

search, the surge that has been witnessed in IBF activity as has been observed in present times may not have taken place on a global level.

Considering the original nature of IBF as an ethical financing system, it would have been expected that the direction of the convergence should have been from conventional finance and banking towards IBF, with the objective of moderating the excessive capitalist practices and financial as well as the economic crisis inclination inherently existing in the conventional banking and finance system. This is due to the fact that the value proposition of IBF is important for the establishment of a sound financial architecture.

However, it is the convergence towards conventional banking and the adoption of commercial banking as a model that helped IBF to be internationalized and receive acceptance beyond the Muslim world.

### **3. Islamic Banking and Finance in Europe**

The term ‘Islam’ has different connotations in a European context, originating in a historically-constructed view. These viewpoints have been sustained through various political events domestically and externally during contemporary times. Therefore, “Islam all too often resonates negatively in Europe, with much non-Muslim public opinion uncomfortable with Islamic culture and values. Secular and Christian opinion is at best suspicious of *shariah*, Islamic law, and indeed often antagonistic. The notion of wanting to apply *shariah* principle to banking and finance is treated with scepticism if not outright hostility, especially as there is no concept of Christian or Jewish banking, even if there are some parallels between *shariah* financial principles and the teaching of the Old Testament.”<sup>30</sup> This is true for most of continental Europe, though the UK appears to have a more pragmatic approach towards Islamic legal issues.<sup>31</sup> These divergent attitudes also exist towards IBF;<sup>32</sup> the initial developments in European IBF took place in the UK during the 1980s rather than in continental Europe, as London insisted on remaining the European center for IBF.

The development of IBF in Europe can be attributed to two main causes:

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30. Rodney Wilson, “Islamic Finance in Europe,” RSCAS Policy Papers No. 2007/02, Robert Schuman Centre for Advanced Studies, European University Institute, 2007.

31. Jorgen S. Nielsen, *Muslims in Western Europe* (Edinburgh: Edinburgh University Press, 2004); Lauren Fulton, (n.d.) Islamic Law: Europe’s Shari’a Debate, available at <http://www.euro-islam.info/key-issues/islamic-law/>.

32. Fulton, op. cit.

firstly, the prevention of financial exclusion, and secondly and most importantly, to attract the large capital accumulated in the GCC region.

As Islam prohibits interest, large Muslim communities in EU countries have refrained from engaging with conventional financial institutions, including banks. For example, in the UK, large sections of the Muslim community avoided taking conventional mortgages for their housing needs. The lack of specially-designed *Shari'ah*-compliant financial products resulted in financial exclusion for many Muslims, with adverse socio-economic consequences. Thus, the development of IBF in the EU, at least in the case of the UK, is partially due to the policies designed to overcome such financial exclusion.

However, another important reason for the development of IBF in the UK in particular, and in certain EU countries in general, is the dire need for foreign capital, which contributes to the economic growth of the host country. Considering the large amounts of capital accumulation in the GCC countries, in particular within the Sovereign Wealth Funds,<sup>33</sup> most of the countries in the world have been developing strategies to attract these funds to overcome their capital shortage. Since most of the GCC investors aim for *Shari'ah*-compliant investment or Islamic financing, European countries, alongside others, have responded to the conditions of capital supply by opting to develop national frameworks to facilitate IBF.

This second reasoning is crucial to develop strategies to facilitate the provision of IBF in certain EU countries. Through such strategies, the financial exclusion of Muslim communities can be overcome as a by-product of the process, at least within the concept of 'equal opportunities.' Considering the large Muslim communities in the UK, Germany and France, it is clear that there is excellent potential for retail IBF as well, and the developments in the UK are, in this regard, exemplary.

In analyzing the emergence of IBF in Europe, Rodney Wilson states that *Shari'ah*-compliant liquidity management for the Middle East IBF institutions was handled in Europe from the early 1980s.<sup>34</sup> However, it should be noted that European banks have been involved in the Middle East financial environment since the 1920s at various levels.<sup>35</sup>

The first operational bank was the Al Baraka Islamic Bank in London in 1982, which continued to operate as a retail and investment IBF until 1993 with

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33. Mehmet Asutay, "GCC Sovereign Wealth Funds and Their Role in the European and American Markets," *Equilibri* 12, no. 3 (2008): 335-354.

34. Rodney Wilson, "Islamic Banking in the West", in *Handbook of Islamic Banking* eds. M. Kabir Hassan and Mervyn K. Lewis (Cheltenham: Edward Elgar, 2007).

35. Rodney Wilson, "Islamic Finance in Europe," op. cit.

a number of branches. However, due to the adverse financial circumstances and non-facilitatory regulatory environment, it had to close in 1993.<sup>36</sup> The second institutional attempt was the setting up of the United Bank of Kuwait's Islamic Banking Unit in London in 1991. It provided investment and later retail banking services before it merged with the Al Ahli Bank under the new operational name of the Al Ahli United Bank in the early years of this decade.

The establishment of the first full-fledged Islamic high street bank in the UK was in 2004, when the Islamic Bank of Britain was established to provide retail services with branches in cities with a strong Muslim community. HSBC's Amanah moved into the retail market by offering Islamic mortgages in 2004 too, followed by Lloyds-TSB which provided similar services through its Islamic window starting in 2005. The Arab Banking Cooperation began to provide similar retail services through Bristol and the West Building Society in 2004 alongside Ahli United Bank's Islamic mortgage services in cooperation with West Bromwich Building Society.<sup>37</sup> Through their Islamic windows, other conventional banks, such as the Halifax Bank of Scotland (HBOS) and the Bank of Scotland, started to provide Islamic mortgages in 2004. In addition, Barclays, "...Citibank, Dresdner Kleinwort Benson and ANZ Grindlays are active in arranging the short-term Islamic trade finance for Western blue-chip end-users" from London.<sup>38</sup>

Over the years, further institutionalization took place in the UK. As a result, three more Islamic banks were established in London as fully *Shari'ah*-compliant wholesale or investment banks: the European Islamic Investment Bank in 2005, the Bank of Middle East and London in 2007, and Gatehouse in 2008. In addition to banking institutions, a large number of London-based financial institutions and law firms have also been involved in Islamic financing for many years, mainly as fund managers.

The positive developments in the UK have been possible because of the encouraging attitude of the government, which went beyond the political agenda and focused on the financial and economic value of IBF propositions. The chairman of the Financial Service Authority (FSA), Sir Howard Davies, stated in 2002 that "... we have a clear economic interest, as a nation, in trying to ensure that the conditions for a flourishing Islamic financial market are in place in London."<sup>39</sup>

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36. Rodney Wilson, "Islamic Banking in the West," op. cit.

37. Ibid.

38. Ricardo Baba, "Islamic Financial Centres," in *Handbook of Islamic Banking* eds. M. Kabir Hassan and Mervyn K. Lewis (Cheltenham: Edward Elgar, 2007), 398.

39. Howard Davies, "Islamic Finance and the FSA," *Review of Islamic Economics*, no. 12 (2002): 105.

He further continued: “We see no objection of principle to the establishment of an Islamic bank in the UK. Indeed, we would welcome a soundly financed and prudently managed Islamic financial institution in this country, which would be good for Muslim consumers, good for innovation and diversity in our markets, and good for London as an international financial centre.”<sup>40</sup> Such a positive attitude by the financial bureaucracy encouraged the government to introduce new legislation; and since 2003, the government has provided legislative and regulative changes to facilitate the efficient operations of IBF in the UK. It should be noted that this strategy fits into the Labor government’s economic and financial policies to overcome financial exclusion and sustain London’s position as a financial hub. As part of this policy, attempts were made and structures were developed to keep London as an IBF center. The government has further expanded its commitment to the expansion of IBF in the UK by making legislative changes to issue sovereign Islamic bonds, or *sukuk*, from 2007 onward – a process which has not been finalized yet.

Since such positive and direct engagement with IBF was not made until recent times by other European countries, mainly because of the rigid secular attitudes and skepticism towards *Shari’ah*,<sup>41</sup> developments in IBF have been rather slow in the EU countries. However, now due to the introduction of more pragmatic policies by the governments in many European countries, IBF is thriving, and the financial opportunities offered by IBF are now recognized by governments as well as European banking and financial institutions.

While it is true that European banks, including Deutsche Bank, are involved in short-term Islamic liquidity management in the GCC region, alongside London, Geneva has always been an important center for Islamic wealth management. Many of the European financial institutions and banks are involved in Islamic wealth management and funds through various partnerships with GCC-based financial institutions. It should be noted that the first *sukuk*, or Islamic bond, in Europe was issued by the German Federal State of Saxony-Anhalt in 2004, which required a number of regulative arrangements within the existing legal system.

It is important to note the recent changes in the attitude of the French government, which now has a positive and dynamic view on IBF. While until recently, France entirely ruled out the IBF option (due to its staunch secularist attitude), the Sarkozy government initiated a policy change after 2008 to facilitate IBF in order to encourage foreign investments from the GCC region. Therefore,

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40. Ibid.

41. Wilson, “Islamic Finance in Europe,” op. cit.; Fulton, n.d., op. cit.

French authorities are now amending the law as part of their facilitatory policy,<sup>42</sup> and the country has amended its civil law to issue *sukuk* also.<sup>43</sup> This pragmatist policy was made possible with French financial bureaucracy locating rules similar to Islamic financial principles in the current and historic French legal system<sup>44</sup> to justify the introduction of IBF in France and avoid political risk. Regardless of such pragmatism, these developments will indeed attract capital from the GCC region, but also may develop retail banking which can help the large Muslim communities in France to avoid financial exclusion, because, as the *Banker* states, the formation of new Islamic banks and Islamic windows is on its way in France.<sup>45</sup>

Among other EU countries, Luxembourg has been involved in offshore IBF for many years.<sup>46</sup> In 2009, Italy initiated a discussion through its central bank to search for opportunities in IBF and look into potential areas of regulative change to facilitate IBF. Lastly, Ireland also has limited IBF presence and operations and is working towards the introduction of facilitatory regulative change.

In sum, IBF is now thriving within many EU member countries. Since each country has different financial architectures, they all have a unique way of dealing with IBF. Regardless, the development of IBF in Europe, as well as further involvement of European banks in IBF domestically and in the GCC, is a growing reality. This suggests that the EU authorities have to internalize this reality into their economic and financial policy making, and as a result we can hope to see a common EU-IBF white paper in the coming years.

#### **4. Islamic Banking and Finance and Conventional Finance in Europe: Mutual Contribution and Lessons**

While Islam is often correlated with ‘limitations’ in a European context, IBF, on the other hand, provides ‘choices’ to Muslims and non-Muslims alike, both in the Muslim world and in Europe. Thus, the availability of IBF in the EU helps contribute to pluralism within the political culture in Europe, as political pluralism necessitates pluralism in other realms of life, including finance. Financial pluralism

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42. Gilles Saint Marc, “Islamic Finance and French Law” (Presented at the Paris Europlace International Financial Forum, on July 2, 2008, Paris).

43. Mushtak Parker, “Civil Code Amendment to Help the Sukuk Market Take off in France,” *Arab News*, October 5, 2009.

44. Marc, op. cit.

45. The Banker, op. cit.

46. Wilson, “Islamic Banking in the West”, op. cit.

in the form of IBF in Europe helps Muslims in the EU countries to overcome financial exclusion – as a result, financial and social developments can go hand in hand.

The significance of IBF in the GCC-EU relationship also becomes clear through institutionalization and knowledge transfers. Since the beginning of the 20<sup>th</sup> century, the financial structures and operations of the GCC countries were shaped by the European banks. However, “...now European banks are importing *shariah* compliant products from the Arab World, not only for their overseas Arab clients, but more significantly for the growing Muslim population of Europe”.<sup>47</sup> Thus, the emergence of IBF and its adoption into the EU member countries “is making the Euro-Arab financial relationship more a partnership of equals in the twenty first century.”<sup>48</sup> This change helps the GCC financial sectors to move out of the ‘dependence’ mood into ‘interdependence’ relationships, while the European financial systems now can learn from their Arab counterparts. This completes the bi-directional learning, thereby contributing to the development of social capital through financial development for both sides.

Additionally, an important contribution of IBF in the EU context is in financial development. The relevant literature shows that financial development and innovation is positively correlated with economic growth. Considering that IBF constitutes financial innovation, this is expected to lead to financial development through offering *Shari’ah*-compliant financial products. Consequently, it is expected that this shift will attract foreign investment and cash flows from the GCC region; experts expect that the consequent expansion of the financial base would have a positive impact on economic growth through increased capital accumulation.

The chronic financial and economic crises being experienced in the Western economic and financial systems are a clear indication of the inherent problems in the capitalist system. Therefore, new financial structures have been discussed in policy circles of the industrialized countries, including in the EU. In order to moderate the excesses of the capitalist financial system, ethics and social justice should be considered as important building blocks in the new financial architecture. While the underlying value proposition of IME may not be consistent with the ‘laicism’ or secularism as practised in the EU countries, the realities of the current financial crisis indicate that, in one way or another, ‘moral’ has to come into financial and banking activities to prevent ‘excesses’, ‘deviations’, ‘greed’, and ‘money creation through

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47. Wilson, “Islamic Finance in Europe,” op. cit., 1.

48. Ibid.

financialisation,' which have facilitated the global financial crisis. Considering that secular ethics also necessitate the same 'good practices' in banking and finance, IME's value propositions become important to establish a stable international financial architecture in which IBF and conventional banking and finance can work together. Integrating the moral proposition of IME in conventional financing could be the new face of capitalism, indeed, in a secular sense. Considering the growing ethical finance movement, particularly in the UK, IME should not be considered as an outsider, and with the integration of IBF into the EU countries, attempts could be made to further ethical financing in the EU context.

IBF, on the other hand, has some lessons to learn from the EU experience in banking and finance. Corporate Social Responsibility (CSR) and Corporate Governance (CG) mechanisms have been well developed in the EU countries; and there are similarities in the philosophical bases of CSR and CG in both the paradigms. However, the EU financial and business sectors have developed relevant institutions to incorporate CSR and CG issues into their systems, a process which is in its infancy in the GCC IBF system. Thus, the EU experiences and developments in these areas could be adopted by the IBF sector to consolidate its position and fully integrate and develop the moral features of its institutions not only to provide socially acceptable financing, but also to develop corporate identities beyond 'simple business mind.' Although CSR and CG structures proposed by IME are more dynamic and comprehensive, IBF mostly mimics the conventional institutions. Therefore, further ethical developments in conventional banking and finance will provide an opportunity to develop the operational and value propositions of IBF institutionally.

Importantly, despite IBF's institutional origins in social banking, it has adopted commercial banking successfully, which has led to the development of a 'capitalist spirit' within IBF. On the other hand, the EU's institutional position on social banking is rather encouraging, as it aims to prioritize 'social banking' and 'narrow banking' in a bid to further community development and individual empowerment to enhance social capital.<sup>49</sup> Thus, IBF can also learn from public policy and private sector initiatives for social banking in the EU and thereby 're-learn' the IME's 'divine' wisdom from its European counterparts.

Clearly, there are lessons to be learnt from the experiences and theoretical frameworks of both these areas of banking and finance which would be of mutual

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49. Ed Mayo and Christopher Guene, "Introduction: A Problem Here to Stay," in *Banking and Social Cohesion: Alternative Responses to a Global Market* eds. C. Guene and E. Mayo (Charlbury, Oxfordshire: Jon Carpenter, 2001).

benefit; and hence convergence should work in both directions; so far Islamic finance has mimicked conventional banking and finance through a uni-directional relationship. Convergence in both directions will contribute to 'pluralism' rather than promoting the stagnation of a prevailing financial hegemony.

## **5. Islamic Banking and Finance as a Bridge to Civilizational Dialogue: Generating Multiple Modernities**

The perceptions of Islam in the West, and the perceptions of the West in the Muslim world, have not been positive historically or in contemporary times. Thus, a civilizational dialogue must be pursued to overcome the difficulties between the two traditions. After identifying the mutually beneficial areas above, this paper suggests that IBF can act as an important part of this dialogue.

IBF can be a cultural and political bridge between the GCC and the EU. For this, Islamic finance should be considered as part of a multiple modernities project, which in a rational way brings two different worlds together. In other words, with the facilitation and integration of IBF into some of the EU countries, there is an implicit recognition of a religion-based financing in Europe, indicating the recognition of the Islamic rationale and logic behind IBF, which delves beyond the 'universal and hegemonic modernity' proposition of Europe. Thus, unprecedented developments in IBF in Europe reveal not only that *Shari'ah* as a mechanistic and rationale system is accepted in the West, but also that the ontological and epistemological sources of IBF (namely the *Qur'an* and the *Sunnah*) are also, as a by-product, recognized, even if it is for pragmatic financial reasons. This implies again an 'equal partnership' beyond the 'modern' and 'traditional' dichotomy as imposed by the West on the 'rest,' and vice versa.

Islamic ontology and epistemology, the sources of IBF, have always been considered beyond the 'universal truth' of the modernity project, which assumed that the world will converge towards the Eurocentric definition of a homogenous civilization.<sup>50</sup> Therefore, causality of knowledge transfer and development is always considered to be from the West to the 'rest.' However, realities demonstrate that this has not been possible, nor will it be in the future. Take the example of IBF, an institution based on the different ontology and epistemology of Islam, which entered into the 'rational' legal and regulative environment of Europe. In this case,

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50. See for the nature of modernity and multiple modernities discussion, S. Eisenstadt, and W. Schluchter, "Introduction: Paths to Early Modernities: A Comparative View," *Daedalus* 127 no. 3 (1998): 1-18; S. Eisenstadt, "Multiple Modernities," *Daedalus* 129, no. 1 (2000): 1-29.

modernity is re-produced by the 'other', here by Islam, in the form of an *alternative modernity*. In this case, IBF borrows the institutions of the 'modernity' and therefore 'Islamises the products and institutions of modernity' with its own ontology and epistemology, creating 'multiple modernities.'

IBF, thus, is not post-modern, but rather modern as it endogenizes or 'Islamises' the institutional and methodological framework of modern 'conventional' banking, rather than creating its own authentic institutions and operations (the latter strategy would have produced alternative institutions and hence would have been considered as post-modern). Thus, two different moderns exist together within the 'multiple modernities' framework. This, of course, represents a convergence between the two worlds, as the Muslim world has been practising the 'modern' for many decades, and now through IBF, Europe is experiencing the alternative form of modern or 'Islamic' modern.

Of course, such a process may not be easily accepted in some of the EU countries such as staunchly secular France, as recognition of IBF implies that *Shari'ah*-oriented judgments and mechanisms have to be internalized or endogenized in the existing secular legal and regulative environment. For instance, each of the IBF institutions must have a *Shari'ah* board consisting of *Shari'ah* scholars to guarantee the Islamicity or the *Shari'ah* compliance of the financial products offered. Therefore, given the negative public opinion of Islam within the current political climate in Europe, the facilitation of IBF in the EU countries requires political will. The UK, as mentioned above, has shown the political will to introduce IBF due to IBF's financial contribution to the country. Because of recent financial difficulties, the new French government has also recognized the benefits it can get from IBF. However, in keeping with its political culture, the French government had to politically justify this move beyond the financial rationale. Therefore, as mentioned above, Marc articulates how politicians attempted to find precedents in the historical and contemporary French legal system to justify *Shari'ah* compliancy, thereby proving that such principles were and are part of French law too.<sup>51</sup> By doing this, the French government attempted to be politically correct to avoid 'disturbing the apple cart.'

In this multiple modernities framework, it should be noted that causality of convergence runs both ways; IBF has modernized the Islamic proposition even as it has moved away from the essential values of this moral economy to fit into the international commercial banking and financial system.<sup>52</sup> Through this process, the

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51. Marc, op. cit.

52. Mehmet Asutay, "Locating Islamic Finance in Multiple Modernities Framework: Searching for a Place in Secular Public Sphere through Banking and Finance" (Paper prepared to be presented at

IBF has gained recognition in the West. The same reconciliatory process has been pursued by some European countries who accept IBF with its *Shari'ah* dimension despite the fact that 'modernity' rejects it. Thus, IBF has played a reconciliatory role between the two civilizations through the articulation of 'multiple modernities'.

In sum, through IBF, the perceived 'universal or hegemonic modernity' accepts the existence and practice of socially constructed multiple modernities, contributing to pluralism and going beyond 'dependence' into 'interdependence.' This move can be seen to help promote a 'world of equals' beyond the hierarchical social order. Thus, IBF can also play an important role in the civilizational dialogue by overcoming the contentious relationship between the Muslim world and the West through finance.

## Conclusion

IBF is a novel financing method with a particular value and operational proposition which has existed in its modern form in the GCC region since the mid-1970s. Since the 1990s, it has become an important partner in the global financial system, and currently, IBF has proved that it is a sustainable reality, evidenced by its resilience and growth even during a period of financial crisis. Thus, it provides alternative opportunities for all countries regardless of its religious nature, as in its modern version it represents 'commercial banking' with a specific legal method, namely *Shari'ah* compliance.

IBF's contribution to the EU economies is unquestionable, as Davies argues above,<sup>53</sup> and further developments in IBF in the EU are expected in the coming years. The lack of a common financial system in the EU will complicate the task of expansion of IBF, but the experiences and social capital of the countries that have already adopted the system will help other countries to locate ways in which they can make amendments to their legal and regulative environment. For example, the French financial authorities benefited from the British experience and the Italian financial environment followed the French and the British example.

This paper suggests that in addition to its contribution to the economies of the EU countries, IBF can play an important role in reconciling the political differences between the GCC and the EU countries, and hence can act as a bridge

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the International Conference on "Re-imagining the Shari'ah: Theory, Practice and Muslim Pluralism at Play," organized by Warwick Law School, September 13-16, 2009, Warwick in Venice - The Palazzo Pesaro-Papafava, Venice.

53. Howard Davies, "Islamic Finance and the FSA," op. cit.

to civilizational dialogue. In the past, it was trade that managed to bring the worlds together for a peaceful coexistence; IBF can play that role in contemporary times. The same spirit and wisdom of the past centuries can shed light on the new encounters between the two worlds through financing activities. The hope is to move away from 'dependence' on the European norms in financing to 'interdependence' in which parties are equal in terms of institutions, operations, as well as knowledge. In this context, the attitudes of the EU countries will play a key role in determining the success or failure of the new system. While many countries such as the UK, Switzerland, France and Luxembourg, have shown positive and facilitating trends so far, only time will tell where such a dialogue will lead.

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# The Higher Education Sector in the Gulf: History, Pathologies, and Progress

*Christopher M. Davidson*

## Introduction

The higher education sector is undergoing a rapid expansion and transformation in the six member states of the Gulf Cooperation Council (GCC). The GCC is far from homogenous, with varying socioeconomic and demographic conditions impacting on the sector's development. The United Arab Emirates, Qatar and Kuwait enjoy the highest GDP per capita in the world,<sup>1</sup> while Bahrain and Oman are comparatively indigent.<sup>2</sup> Even Saudi Arabia, despite its vast hydrocarbon reserves, struggles to develop given its much larger indigenous population.<sup>3</sup> Nevertheless, despite the differing circumstances and developmental speeds, there are certain common issues and pathologies in higher education that affect or afflict all of the GCC states.

All universities have had to expand from a very small historical base of traditional education, and even today most of the GCC's students are first generation. Many also suffer from access problems to higher education. Most notably, there remains a gender issue in these relatively conservative societies, thus

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1. The UAE's GDP per capita is \$39,900 while Qatar's is \$110,700 and Kuwait's is \$57,400. *CIA World Factbook 2009*, UAE, Qatar, and Kuwait files.
  2. Bahrain's GDP per capita is \$37,300 while Oman's is \$20,200. *CIA World Factbook 2009*, Bahrain and Oman files.
  3. The indigenous population of Saudi Arabia is about 23 million, compared to indigenous populations of only a few million for the other GCC states. *CIA World Factbook 2009*, Saudi Arabia file.

preventing completely equal opportunities. There exists too the question of what to teach, and how to go about teaching it? Although modern campuses are being built and physical infrastructure is being put in place, there are mounting concerns over the intangibles, especially quality control and accountability. How will teaching standards be enforced and how will research output be measured? International partnerships are equally central to the GCC universities, as most seek to improve standards dramatically and thus require considerable assistance and insights born of experience. Some have managed to attract big-name Western institutions while others are tied to institutions from other parts of the world. As of yet, there is little uniformity. The sector has also been routinely criticized across the region for failing to meet the needs of either the public or the private sector: strategies for labor nationalization have been largely unsuccessful as the proportion of the workforce made up by nationals continues to shrink in the face of competitive, well-qualified expatriates entering the market.

After providing a detailed historical background to the development of higher education in the region, this paper will address these key contemporary issues that impact on higher education across the GCC. Finally, presented as a case study, the experiences of the UAE's wealthiest and most populous emirate of Abu Dhabi will be considered. A particular emphasis will be placed on the problems that Abu Dhabi has faced and, as something of a model for regional best practice, the solutions that have been proposed and are now beginning to be implemented.

## **1. Historical Background: From Traditional to Modern**

The Arabian Gulf was home to a number of diverse economic activities during the nineteenth century, including fishing, animal husbandry, re-export trading, and some limited agriculture. Significantly, these were primarily at the subsistence level with rarely sufficient surplus to really allow for any meaningful growth or development.<sup>4</sup> As such, without the necessary resources for the building of schools or the recruitment of professional teachers, for much of this early era, the education system remained basic. The primary form of tuition was often that provided to young men and boys by the local *mutawa'a*: ostensibly a religious man who was usually the *imam* (cleric) of the local mosque. Referred to as *al-katateeb* education, this traditional *mutawa'a* system relied heavily on the rote learning of large sections of the Koran and the Prophet Muhammad's various utterances or

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4. Donald Hawley, *The Trucial States* (London: George Allen and Unwin, 1970), 195.

*Hadeeth*. Significantly, the *mutawa'a* was rarely a literate scholar,<sup>5</sup> was often not the man responsible for composing the Friday prayer speeches (*al-khutbah*), and was therefore unlikely to be able to teach any of the boys how to write or to comprehend rudimentary mathematics. However, for those few who sought more knowledge, access to an educated scholar was a possibility, provided that the boys proved their worth. Certainly, there is considerable evidence of more advanced Islamic legal education (*feqh*) throughout this period, in addition to small 'scientific circles' that were usually held in one corner of the mosque, in a sheikh's house, or even in a tradesman's house. A prominent example is the circle of the scientists of Najd that took place in Ra's al-Khaimah, one of Britain's protected sheikhdoms in the lower Gulf.<sup>6</sup>

Towards the end of the nineteenth century, the region's pearling industry and its associated trades (including boat building and rope manufacturing) began to expand rapidly with profound socioeconomic consequences. With regard to education, the region's philanthropists finally had sufficient income and energy to devote to the establishment of more formal schools. During the early part of the twentieth century, many wealthy patrons managed to found schools for boys in the Gulf. Most of these new schools were accommodated in large donated houses or in custom-made buildings, with some being staffed by local men who had been educated elsewhere in the Arab world while others were supervised by various Arab expatriates, including Egyptians and Palestinians. A much wider range of subjects was taught than ever before, often following an Egyptian curriculum. These included simple mathematics, regional geography, and some Arab and European history. Examples of these early institutions include the Al-Ahmadiya School (1912), the Al-Salmya School (1923), and the Al-Falah School (1926), all in Dubai; and the Al-Qasimi School (1923) and Al-Tatweerya or 'evolutionary' School (1907) in Sharjah. Some of the oldest Gulf nationals still alive were educated under this system, including most of the first generation of post-British Gulf rulers.<sup>7</sup>

Despite such promising prospects for a significant expansion in education and other aspects of socioeconomic development, the pearling-powered growth spurt of the Gulf's coastal towns soon petered out. With most of the great powers and their

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5. A scholar was sometimes referred to as *al-shaikh*, but for the purposes of this discussion this term would cause confusion with the title given to the ruler of a tribe.

6. Personal interviews with members of the Al-Omram, Al-Mazroui, Al-Marzouqi, and Al-Qasimi families, Dubai, May 2006.

7. Personal interviews with members of the Al-Omram and Al-Marzouqi families, Dubai, May 2006.

colonies beginning to focus on self-survival in the build-up to the Second World War, the markets remained closed and the pearling industry never recovered. Thus, the permanence of the decline rendered the Gulf sheikhdoms poverty stricken right up until the first oil exports of the 1960s. In particular, there is little doubt that the towns of the lower Gulf were left to decay as some of Britain's poorest and least developed protectorates. Inevitably, the ensuing poverty had major ramifications for the region's social structures, as most of the more able foreigners began to drift away, leaving something of a void in the local community. Notably, many of the activities formerly underwritten by local pearling merchants and run by Arab expatriates began to cease, including, most conspicuously, the maintenance of the schools. Salaries for local and other Arab teachers could not be paid nor could the maintenance be kept up of the several schools that had been built. While there is some evidence that a few of the schools did manage to maintain a skeleton staff during the 1930s and 1940s, the consensus of this generation of schoolchildren is that there was an appreciable decline in the region's formal education, with many boys either returning to *mutawa'a* teaching or simply not being schooled at all.<sup>8</sup>

By the late 1930s, a number of merchants across the Gulf were beginning to openly oppose their rulers, who were becoming increasingly regarded as British clients, thereby adding to the dependency situation of the sheikhdoms, and ultimately reducing the likelihood of autonomous economic revival and any escape from the ongoing poverty.<sup>9</sup> In 1938, anti-British demonstrations took place in Kuwait and riots broke out in Bahrain,<sup>10</sup> but perhaps the strongest example of resistance occurred in Dubai when, later that year, around 400 prominent merchants<sup>11</sup> tried to reverse their decline and marginalization following the collapse of the pearling industry by attempting to revitalize the lower Gulf's economy. These reformers, together with other disgruntled notables, set up a new consultative chamber in which the ruler would be recognized as the president of a 15-member chamber, but in exchange would have to share seven-eighths of Dubai's total revenue.<sup>12</sup>

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8. Personal interviews with members of the Al-Mazroui family, Dubai, May 2006.

9. Christopher M. Davidson, *The United Arab Emirates: A Study in Survival* (Boulder: Lynne Rienner, 2005), 34-37.

10. Jacqueline S. Ismael, *Kuwait: Dependency and Class in a Rentier State* (Gainesville: Florida University Press, 1993), 152-153; Frauke Heard-Bey, *From Trucial States to United Arab Emirates*, (London: Longman, 1996), 255.

11. Hendrik Van Der Meulen, "The Role of Tribal and Kinship Ties in the Politics of the United Arab Emirates" (Ph.D. Dissertation, Fletcher School of Law and Diplomacy 1997), 338.

12. 'Total revenue' included all income derived from oil concessions and air agreements. See Albadr Abu Baker, "Political Economy of State Formation: The United Arab Emirates in Comparative

Although this merchants' chamber operated for only a brief period, the minutes of their meetings make it clear that it intended to bring about key changes in the socioeconomic infrastructure.<sup>13</sup> Most significantly, the movement made a considerable financial contribution to Dubai's education system and made concerted efforts to re-open Dubai's schools. The chamber established the first proper education department, appointed a Director-General for Dubai schools, and even managed to recruit the majority of teachers from the local population (many of whom were older Dubai men who had been educated when schools had flourished during the pearling boom).<sup>14</sup>

Although the reformers enjoyed much popular support for their actions, their movement and its products, including the new municipality and the education department, were ultimately short-lived and collapsed as a result of mismanagement. However, despite the collapse of the reform movement, it must be noted how many of its actions and suggestions were not without some long-term achievement, as many of them formed the blueprints for later initiatives across the Gulf that were often undertaken by the rulers themselves. Notably, in 1958, the new ruler of Dubai re-established the Dubai Municipal Council and the Education Department.

Even with a reinstated municipality and education department, the problem of poverty and lack of resources still remained, and Britain remained largely disinterested in investing in schools, hospitals or other aspects of social infrastructure. However, by this stage some areas of the Gulf, notably Kuwait, were becoming increasingly prosperous, as they were already beginning to receive sizeable revenues from their oil exports, and by the early 1960s, the poorer parts of the Gulf were beginning to receive considerable financial assistance in rebuilding their societies. Although the exact motivations of the greatest benefactor, Kuwait's Shaikh Abdullah Salem al-Sabah,<sup>15</sup> remain unclear (it is possible that the Kuwaiti monarchy, supported by Britain, wished to improve education elsewhere in the Gulf to help prevent the spread of Arab nationalism and other revolutionary sentiments<sup>16</sup>), there is little doubt that Kuwaiti aid was a key catalyst for the development of education across the region.

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Perspective" (Ph.D. Dissertation, University of Michigan 1995), 107.

13. Heard-Bey, *op. cit.*, 256.

14. *Ibid.*, 109.

15. Personal interviews with members of the Al-Omram family, Dubai, May 2006.

16. Muhammad Salih Al-Musfir, "The United Arab Emirates: An Assessment of Federalism in a Developing Polity," (Ph.D. Dissertation, State University of New York at Binghamton 1985), 92-93.

Most of this aid was channelled through Kuwait's Gulf Permanent Assistance Committee (GUPAC). The committee's primary task was to finance the salaries of expatriate teachers (who were again predominantly Egyptian and Palestinian), while also helping to train more local teachers, construct more schools and to establish an overseas scholarship system for talented young men<sup>17</sup> (most of these scholars were able to study in Egypt and Syria<sup>18</sup>). Indeed, Kuwaiti generosity even extended to paying for Western-style school uniforms and shoes,<sup>19</sup> and invariably provided school stationary complete with the embossed emblem of the Kuwaiti government. The number of subjects taught in the schools was again expanded, this time to include English, more international history, and some basic natural science. Almost all teachers followed the Kuwaiti curriculum (except the science classes),<sup>20</sup> which at that time was widely regarded as one of the most progressive in the Arab world, and was of course culturally more acceptable and appropriate than the previously-used Egyptian curriculum. Organized around two academic semesters, these schools had relatively strict requirements for their pupils, and at the end of each year, issued certificates that were necessary for children to advance to a higher level. There were around eight such levels or grades, and class sizes (usually around 30 to 40 pupils) would therefore consist of a variety of ages from five years old to 16, depending on individual levels of progress.<sup>21</sup>

The most notable examples of improved schools would include the aforementioned Al-Ahmadia school in Dubai that had expanded massively to around 820 students in 1951, and the original Al-Qasimi school in Sharjah, which benefitted from major expansions in 1954. New schools included those at Al-Falahia and Al-Bateen in Abu Dhabi, which both began to accommodate around 115 students by 1961, and another school in Abu Dhabi's second city of Al-Ain which housed around 70 students. Importantly, Kuwaiti aid also catalyzed female education and other more specialized forms of training in the lower Gulf by providing the bulk of the funding for the new Khawla bint Al-Azwar school in Dubai for girls, opening a small number of trade and technical schools in Sharjah

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17. Kevin Fenelon, *The United Arab Emirates: An Economic and Social Survey* (London: Longman, 1973), 26-27; Al-Musfir, *op. cit.*, 92-93.

18. PRO 371/120540, 1956.

19. PRO 371/120540, 1956.

20. According to oral history accounts, the science classes remained with the Egyptian curriculum throughout the 1960s. Proxy interview with Farida Al-Madani, Dubai, February 2006.

21. Proxy interview with Nasser Ali Al-Madani, Dubai, February 2006.

and Dubai, supplying funds for an agricultural school in Ra's al-Khaimah,<sup>22</sup> and opening Bahrain's first school for adult illiterates in 1968.<sup>23</sup>

Although not on the same scale as Kuwaiti assistance, it is also significant that other countries began to respond to Shaikh Abdullah's initiative and sought to build up the Gulf's education system. While the political motivations behind such moves were again ambiguous, the results were nevertheless impressive with regard to improving education. In parallel to building his (now iconic) hospital in Dubai, the Shah of Iran established an Iranian school to provide education for the large number of children belonging to the city's well-established Iranian merchant community. Similarly generous, the university-educated Shaikh Muhammad bin Saud of Saudi Arabia established specific Islamic education institutions in Dubai (1962), Bahrain (1963), Al-Ain (1967), Ras Al-Khaimah (1967), and Ajman (1969). Servicing the Gulf's huge Indian resident population, after 1966, a number of wealthy Indians invested in local education by importing teachers from Bombay and establishing schools, many of which continue to exist today and have since expanded to include several sister schools.<sup>24</sup>

## **2. Early Challenges and Opportunities**

Notwithstanding the rapid progress of formal education during this period, there were complications associated with foreign aid, the influx of new teachers and the use of foreign curricula. Most notably in Abu Dhabi, Shaikh Shakhbut bin Sultan Al-Nahyan remained in power until 1966 and was largely distrustful of foreigners. This distrust manifested itself in restrictions placed on all merchants, bans on new construction<sup>25</sup> and, on occasion, blocks on the usage of Kuwaiti textbooks in Abu Dhabi's schools. Indeed, it is reported that in 1956, Shaikh Shakhbut set up another new school in Abu Dhabi, but given that he wanted the school to be 'concerned with the affairs of Abu Dhabi alone,' he did not permit any foreign teachers to work in it.<sup>26</sup> Also problematic was the issue of Arab nationalism which, during the 1950s and 1960s, was running rife throughout the Arab world following the demise of British-backed monarchs in Egypt, Syria, Iraq, and eventually Libya.

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22. PRO 371/120553, 1956.

23. Personal interviews with members of the Al-Marzouqi family, Dubai, May 2006.

24. Personal interviews with members of the Al-Qasimi and Al-Marzouqi families, Dubai, May 2006.

25. Davidson (2005), *op. cit.*, 156-157.

26. PRO 371/120553, 1956.

Given that many of the Kuwaiti-financed teachers who were brought in to staff the new schools in the Arabian Gulf were often nationals of these revolutionary states or at least sympathetic to their cause, there was a genuine concern from both the Gulf's ruling families and British administrators that this reliance on Arab expatriate educational assistance could backfire, causing instability and turmoil.

Such worries were not without foundation, as many of the Arab nationalist activities that took place in the region were directly linked to schoolteachers and impressionable student clubs. Perhaps the first example of organized secular nationalism in the region was when a group was set up in the early 1950s in Dubai's Al-Falah School. Many of the Iraqi teachers there had begun to spread their nationalist sentiments and, as eyewitnesses described, they encouraged many of their pupils to "...parade through the narrow streets of the town, carrying flags and chanting Arab nationalist songs, applauded by their parents and citizens."<sup>27</sup> Similarly, at the time of the Suez Crisis, there were again demonstrations, this time by a number of teachers and local youths wishing to express their sympathy with Egypt in the fight against the Israeli invasion and what was perceived to be an anti-Arab, Anglo-French collaboration.<sup>28</sup> Moreover, it is possible that some of these chose to join the Front for the Liberation of Occupied Eastern Arabia (FLOEA), an underground nationalist group which advocated violent action to "end British colonialism and overthrow the ruling oligarchy."<sup>29</sup> Later, during the final year of the short-lived United Arab Republic in 1961, tensions again flared as a result of expatriate teachers: many of the young boys in the Gulf's schools were encouraged by the senior students and the Egyptian, Syrian, and Iraqi members of staff to mount large-scale demonstrations down the streets while carrying banners and photos of Jamal Abdul Nasser, the Egyptian president.<sup>30</sup>

Following Britain's withdrawal from the Gulf in 1971, there were clearly fresh priorities for the education systems in the newly-independent Bahrain and Qatar, and in the newly-created UAE. Firstly, given the ongoing reliance on foreign aid and its associated complications, a much larger homegrown cadre of educated school teachers was required. Furthermore, on a more macro level, the citizens of these nascent 'emirates' needed to be trained rapidly to fill a wide range of public and private sector positions that were being created by the concurrent oil boom. If

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27. Abdullah, *op. cit.*, 112.

28. Davidson (2005), *op. cit.*, 74.

29. Najat Abdullah Al-Nabeh, "The United Arab Emirates: Regional and Global Dimensions" (Ph. D. Dissertation, Claremont Graduate School 1984), 121-123.

30. Personal interviews with members of the Al-Qasimi family, Dubai, May 2006.

this were not achieved, then almost all key administrative positions would end up being occupied by expatriates. As such, in the early 1970s, higher quality education had already been identified as a building block for any future labor nationalization process. Indeed, it was recognized that the initial system of imposing quotas and other more punitive measures on companies employing too many foreigners would eventually need to be replaced by genuinely well-schooled and competitive local labor.<sup>31</sup>

The first step was the creation of ministries for education that would have adequate funding to assume responsibility for the existing 'state' schools, thereby ending the bulk of foreign educational aid. One of the initial problems these ministries faced was the accommodation of the large number of children who were still outside of the formal schooling system. Indeed, despite the years of Kuwaiti assistance that had seen the number of enrolled students in the Gulf increase from around 4,000 to 28,000, this was still only a fraction of the total youth population. Moreover, the bulk of these students were males, as the number of school places for girls remained very low. Furthermore, literacy rates for the over-16s were still below 50 percent for males and 30 percent for females in 1971.<sup>32</sup>

The solution was to increase rapidly the number of schools and to expand further the existing ones. In the UAE's case, following a major construction drive, the federal ministry for education succeeded in raising the number of state schools from 129 in 1972 to 383 by the end of the decade. An increased proportion of the schools were created for girls, and the number of students increased threefold while the number of teachers (including a greater number of local instructors) quadrupled, thereby improving the staff-student ratios. For the first time, kindergarten schools were introduced (for those aged four to five), while the years of primary education (grades one to six), followed by separate middle (grades seven to nine) and secondary school years (grades ten and above) were more clearly defined.<sup>33</sup>

With regard to the curricula used by these new schools, the new ministries did not have the time or the resources to develop locally-specific textbooks, given the number of other, more pressing tasks their employees were faced with at that time. Therefore, the old Kuwaiti curriculum remained in place a little longer, allowing the Gulf's schools to consolidate the subjects that were first introduced in the 1950s and 1960s. However, as the ministries took charge of the trade and technical schools

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31. Davidson (2005), *op. cit.*, 150-154.

32. Personal interviews with members of the Al-Omram family, Dubai, May 2006.

33. Personal interviews with members of the Al-Mazroui family, Dubai, May 2006.

and added new ones, they were required to act much faster, creating new syllabi geared to training their youth in up-to-date engineering techniques and all of the other vocational studies prioritized by the labor nationalization strategies. Indeed, as Gulf nationals educated during the early 1970s recall, they faced a curious mixture of textbooks throughout their school career: books used during primary and middle schools regularly featured examples and illustrations (sometimes obscure) relating to Kuwait or other parts of the Arab world, with pictures of often unfamiliar sheikhs, emirs or presidents on the front inset pages, while those who began later to train for employment in the oil companies or in the manufacturing sector were provided with material clearly written in their home country, with prominent pictures of their rulers displayed throughout.

### **3. Contemporary Issues: Gender, Curriculum, Standards and Internationalization**

By the early 1980s, access to higher education in the Arabian Gulf had continued to improve, with an ever-increasing number of matriculated students attending universities across the newly-formed Gulf Cooperation Council.<sup>34</sup> Segregated sections of the new universities allowed women to attend without upsetting traditional family values. More recently, specific female-only institutions have been established, including the UAE's federal Zayed University that has branches in both Dubai and Abu Dhabi. Only at the postgraduate level are male students admitted. One difficulty that remains, however, is access to overseas scholarships for Gulf females. They may be eligible to enter competitions and win funded places, or they may be admitted onto degree programmes that feature a year abroad, but very often there is a struggle within the family, as parents are often reluctant to allow their daughters to travel unaccompanied to other countries. For decades, this has been an important advantage for Gulf males.

Curriculum development continues to be problematic, although recently there have been significant improvements. Initially, as with the early secondary schools, the new Gulf universities relied wholly on imported teaching materials, often from Egypt, Syria, and Lebanon. These often contained examples and information not entirely compatible with the needs of Gulf higher education. More recently, there has been much discussion on how to go about teaching in Gulf universities. Rote learning and traditional lectures are gradually being replaced by seminar-based

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34. The GCC was founded in 1981.

teaching that revolves around meaningful class discussions and a promotion of critical thinking.

The many new campuses are impressive. Lavish constructions and big budgets have ensured a pleasant educational environment and good resources for learning. However, there is a question mark over the enforcement of minimum standards. Although there are exceptions, in most cases ministries have been slow to develop quality control bodies to monitor curriculum development and teaching practices. Moreover, as of yet there are no effective measures of research output or quality. Research grants are easily won, but then there is rarely any follow up, with few requirements on the researcher to work towards a tangible output. There is also concern over the lack of faculty and student governance. Student bodies do exist, but most often they have little effective power. Similarly, faculty councils tend to be little more than consultation sessions, and rarely can problems be raised collectively given restrictions on the rights to association in many of the GCC states.

The GCC is now home to several branch campuses of leading international universities, while existing universities have invariably sought partner institutions. These have included New York University and Le Sorbonne (in Abu Dhabi), Texas A&M, Georgetown, and Virginia Commonwealth (in Qatar), and a plethora of Australian and second tier British universities (in Dubai). At present, it is too early to tell how effective these relationships will become. There are undoubtedly misgivings about attaching a brand name to a Gulf-based institution that may not live up to the standards of the home institution. There are also concerns about reputational smears: Connecticut University attempted to open a branch in Dubai in 2006 but had to withdraw due to protests amongst the US student body on the grounds that the UAE was an anti-Semitic state. Indeed, a number of the GCC states continue to maintain an Israeli boycott office. Similarly embarrassing, a Gulf ruler recently attempted to fund a prestigious chair at a major US Ivy League university, but again the student body intervened, complaining of both anti-Semitism and a lack of human rights awareness in the Gulf. Other complications occur, especially with regard to the teaching of politics in the new branch campuses of international universities: discussion of domestic political systems and tribal history is sensitive and, in most cases impossible for expatriate teachers to attempt. International history is equally complex, with teachers unwilling to raise potentially controversial subjects such as the Holocaust or the Palestinian intifada.

By far the biggest test for higher education will be its role in helping to ameliorate the labor nationalization problem in the GCC. There are massive expatriate populations in all of the member states and especially in the smaller

GCC states where expatriates can outnumber nationals by more than 10 to one in the work place. While statistics are hard to procure, extreme examples would include the private sector ‘free zones’ in Dubai, where it is thought that less than one percent of employees are actually UAE nationals.<sup>35</sup> For many years, governments in the Gulf have wrestled with strategies that have aimed to motivate nationals to seek private sector positions, but more often than not these have been counterproductive: by obliging employers to pay nationals more or to offer them better working conditions or pension packages, the government has effectively priced nationals out of the market. Certainly, the only solution is for the national population to be better educated and better qualified than the foreign competition. But this is not easy: Gulf nationals will need to be able to fight for jobs alongside bilingual Arab expatriates who have benefitted from an established, accredited university education in their home country. If the GCC higher education sector does not improve soon, there is concern that GCC nationals will be left as bystanders while expatriates continue to fill the plethora of employment opportunities being created by the new post-oil Gulf economies.

### **a. Abu Dhabi: a Case Study in Developing Higher Education**

The state has been a cornerstone of Abu Dhabi’s political stability, yet many of the structures it has created have limited the indigenous population’s potential to participate fully in the emirate’s extraordinary economic development. Notably, a citizenry has been cultivated over 35 years that is now wholly accustomed to material benefits and to no forms of extraction. Moreover, with various *kafil* sponsorship systems, soft loans, and public sector employment opportunities, nationals have lacked the motivation to enter into competitive job markets.<sup>36</sup> In the mid-1990s, even Shaikh Zayed bin Sultan Al-Nahyan, the emirate’s ruler since 1966, warned of the phenomenon that was partly his creation, criticizing the inactivity of young national men who should be gainfully employed.<sup>37</sup> Unfortunately, since then the problem has been compounded by strategies that aimed to encourage nationals

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35. See Christopher M. Davidson, *Dubai: The Vulnerability of Success* (New York: Columbia University Press, 2008), 206-208.

36. See Christopher M. Davidson, *Abu Dhabi: Oil and Beyond* (New York: Columbia University Press, 2009), 128-130.

37. In 1995, Shaikh Zayed bin Sultan Al-Nahyan remarked of Abu Dhabi nationals that he “could not understand how physically fit young men can sit idle and accept the humiliation of depending on others for their livelihood.” Graeme Wilson, *Rashid’s Legacy: The Genesis of the Maktoum Family and the History of Dubai* (Dubai: Media Prima, 2006), 528.

to participate, but in effect priced them out of the market and made them even less attractive employees. In particular, labor laws that guaranteed access to special pension funds and limited their working hours greatly increased the cost of hiring nationals.<sup>38</sup> Even more heavy-handed have been the quota systems introduced in certain industries.<sup>39</sup> These have made expatriate colleagues resentful of their Abu Dhabi national counterparts and have made employers increasingly wary.

With the emirate's impressive new high technology and knowledge-based economy beginning to take shape, this problem will become increasingly acute as many of the new sectors are being spearheaded by semi-governmental bodies or in some cases even genuine private sector companies. As such, there is a real danger that the current generation of Abu Dhabi nationals will fail to integrate with the new economy. After all, *ceteris paribus* a private sector employer will prefer to hire foreign nationals with a proven work ethic and lower salary expectations. Today, it is difficult to ascertain the true extent of the problem, partly due to the lack of authoritative statistical surveys. Conservative estimates for the whole of the UAE, according to the federal National Human Resource Development and Employment Authority (Tanmia), are that nationals make up only 9 percent of the workforce<sup>40</sup> and there are currently 17,000 unemployed UAE national adults.<sup>41</sup> Other estimates have put the figure as high as 35,000,<sup>42</sup> with many of those holding degrees.<sup>43</sup> The majority of these are likely to be in Abu Dhabi. More broadly, it is thought that well over 50 percent of those nationals in receipt of the generous social security benefits are able-bodied and capable of work.<sup>44</sup>

The only long-term solution is improved education at all levels. Nationals must acquire the qualifications demanded by employers and thereby meet directly the needs of the new economy. Moreover, they must have an educational experience that not only equips them to compete on level terms with expatriates but also that

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38. A labor law was introduced in 2002 in an effort to regulate the employment of nationals in the private sector. As part of the law, nationals were to benefit from a special pensions fund and were to be 'guaranteed better rights as employees' including a maximum number of working hours per week and a guaranteed finishing time of four o'clock in the afternoon for women with children of school age.

39. Notably banking and insurance companies. *GulfNews*, September 23, 2004; *GulfNews*, December 8, 2006.

40. *Oxford Business Group*, "Abu Dhabi: The Report 2007," 51.

41. *The National*, July 27, 2008.

42. *Gulf News*, December 8, 2006.

43. *Gulf News*, July 28, 2008.

44. *Oxford Analytica*, February 2007.

encourages them to accept authority and think critically – essential skills that have rarely been transferred in the UAE’s schools and have never been a requirement of the old system of distributed public sector jobs. Unfortunately, the education system in Abu Dhabi and the rest of UAE has been failing badly until recently, with the Education Development Index ranking the UAE 90th out of 125 surveyed countries for the quality of its education provision.<sup>45</sup> Moreover, in 2007, the World Bank indicated that the UAE’s knowledge economy – the sectors of the economy relating to the production of knowledge and requiring educated professionals – had actually shrunk since 2005, with the blame placed on a deterioration of the domestic education sector.<sup>46</sup> Perhaps most disgracefully, given Abu Dhabi’s vast riches, the illiteracy rate in the UAE was over 22 percent in 2003,<sup>47</sup> and currently still stands at between 10 and 16 percent.<sup>48</sup> This compares unfavorably with many other Arab states, including those such as Jordan, which have never had access to great wealth.<sup>49</sup> Gross enrolment is also thought to be very poor,<sup>50</sup> only 11 percent of nationals hold degrees,<sup>51</sup> and there is a huge gender imbalance at the tertiary level with only 28 percent of university students being female.<sup>52</sup> A counter claim is often made that many UAE national males have the opportunity to study overseas, but the number that do cannot account for this shortfall.

Incredibly, part of the problem has been a lack of funding. Although the federal budget allocation for education now exceeds \$2 billion, this is only a third of the allocation for military expenditure and, in relative terms, is about a quarter of the educational expenditure of some other Arab states.<sup>53</sup> This has led to per student

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45. *The National*, June 3, 2008.

46. *Masdar Research Journal* 5, no. 2 (2007).

47. *CIA World Factbook 2007*, UAE file.

48. *UAE Yearbook 2006* states an average of 10 percent: 9 percent for females, 16 percent for males.

49. Jordan’s illiteracy rate is believed to be less than 1 percent. UNESCO 2006.

50. Federal Ministry for Higher Education report, “Educating the Next Generation of Emiratis” (Abu Dhabi: 2007).

51. *Oxford Business Group* “Abu Dhabi: The Report 2007,” 51.

52. *The National* of July 14, 2008 states 38 percent. However a former director at the Federal Ministry for Higher Education states 28 percent. See Christopher M. Davidson and Peter Mackenzie-Smith, (eds). *Higher Education in the Gulf States: Shaping Economies, Politics, and Culture* (London: Saqi, 2008), 120.

53. *CIA World Factbook 2008*, UAE file; Personal interviews, Abu Dhabi, April 2008. 1.3 percent on education, which is about one third of military expenditure. This compares badly with Jordan, which spends 4.9 percent on education.

financial support declining by over 20 percent since 2000,<sup>54</sup> which has meant that some institutions have had to turn students away in order to maintain the quality of their programs.<sup>55</sup> Understandably, the national population has responded by sending their children to private sector institutions for all stages of their education, and it is now thought that over 40 percent of national students are in the private sector.<sup>56</sup> The federal ministries for education and higher education, in addition to the education-related emirate-level government departments, have complained that they have little authority to regulate outside of the public sector. Although the situation in Abu Dhabi is less grave than in Dubai, where many of the private sector institutions effectively exist in free zones, it is nonetheless proving difficult to maintain standards and form a coherent strategy. There is also a chronic shortage of UAE national staff in the education sector, thus denying young nationals indigenous role models. Education has traditionally been viewed as a low status profession, and this has resulted in very small numbers of nationals – especially males – training as teachers or lecturers.<sup>57</sup> Even high quality expatriate staff are becoming difficult to recruit, as salaries have remained stagnant for many years, prompting many veteran educators to move to Qatar, Kuwait and other parts of the Gulf that offer far more competitive remuneration.

Nonetheless, there is some hope, with every indication being that the government is now seriously committed to reforming the sector. New initiatives are in place, and these may soon have a significant impact. At the secondary level, Mugheer Al-Khaili's Abu Dhabi Education Council has established a public-private partnership agreement for the management of public schools. With cooperation from the Singapore National Institute for Education, this agreement should lead to firmer controls over the qualifications of educators, especially college principals – who must now possess a degree in education – and struggling teachers, who will now have access to mentors.<sup>58</sup> An accreditation system will also soon be applied in an effort to bring public schools up to international standards. New curricula will be introduced with an emphasis on critical thinking rather than rote learning, and with

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54. Federal Ministry for Higher Education report, "Educating the Next Generation of Emiratis," *op. cit.*

55. *Ibid.* Interestingly, a federal government white paper has predicted that the HCT institutions across the UAE may have to turn away 3,000 students in 2007 in order to maintain the quality of their programs.

56. *Ibid.*

57. Personal interviews, Dubai Knowledge and Human Development Authority, August 2007.

58. *Khaleej Times*, November 23, 2007.

more weight being placed on English language instruction. Combined, it is hoped that these curricular developments will prepare students better for the expectations of the tertiary sector.<sup>59</sup> By 2012, all schools will have to comply with the new requirements, and private schools will face closure unless they have independently sought accreditation from a reputable international body.<sup>60</sup>

The higher education sector is set for a similarly comprehensive overhaul with several major projects involving esteemed regional and international partners already in the pipeline. These do not aim simply to build lavish new campuses and physical infrastructure for higher education in Abu Dhabi, but also to improve standards and expectations. The new Khalifa University of Science, Technology, and Research will enter into an industrial partnership with Abu Dhabi National Bank. The latter will advise on employer demands and provide nearly \$7 million of research funding.<sup>61</sup> Abu Dhabi University (ADU), which was founded in 2003, will soon benefit from a memorandum of understanding with the London Stock Exchange. The latter will help ADU to set up internationally accredited degrees and certificates in finance studies,<sup>62</sup> thereby dramatically boosting the institution's reputation. Other high profile linkages have included the opening of a branch of the Sorbonne University in 2006<sup>63</sup> and a branch of New York University in Abu Dhabi<sup>64</sup> in addition to the aforementioned multitude of research centers involved in the Masdar project. As part of a reciprocal agreement, the new Shaikh Muhammad bin Zayed University Scholars Program will select students competitively from Abu Dhabi's two public sector universities (Zayed University and the United Arab Emirates University of Al-Ain) and then send them to New York University or other international partner institutions.<sup>65</sup>

Equally important is the coordination of these many projects, as Abu Dhabi seeks to connect together all of the new universities, research centers and think tanks. As a spokesperson for the Abu Dhabi Education Council has admitted: "Many of the universities haven't got a specific research focus as institutions... they're concentrating on the business side of higher education rather than focusing

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59. *The National*, April 30, 2008.

60. *The National*, July 11, 2008.

61. *The National*, April 20, 2008.

62. *Gulf News*, July 13, 2008.

63. *Zawya Dow Jones*, April 14, 2006.

64. NYU-AD was announced in August 2007. It will have over 2000 undergraduates and 800 postgraduates and will be launched in 2010. *New York Times*, August 31, 2007.

65. Personal interviews, Abu Dhabi, April 2008.

on research, and they probably won't collaborate on research very easily. Their focus has not been on it and they're in competition."<sup>66</sup> It is hoped that a new National Authority for Scientific Research will provide the solution: backed by the federal ministry for higher education and supplied with an annual budget of nearly \$30 million, it will host committees of leading academics that will apply quality control to national research output and help determine future research trajectories.<sup>67</sup>

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66. *The National*, July 28, 2008.

67. *Gulf News*, March 8, 2008.



## The Role of Education: Reform Trends and EU-GCC Cooperation

*Abdulrahman M. Abouammoh*

### Introduction

In the globalized world of today, there is a strong trend, especially in developing countries, towards losing national, cultural and educational identities. This trend is encouraged by the amalgamation of cultures, cross-border education and active educational mobility. One may attribute the present trends to the growing impact of western culture, education and practices in other parts of the world. One must admit that globalization's influence has its positive and negative impacts on education.

The countries of the European Union (EU) and the Gulf Cooperation Council (GCC) have given importance to the role of education and culture to enhance and harmonize the unification of many aspects in their respective regions. This is based on the understanding that the role of education and intercultural dialogue is indispensable in improving relations between nations, countries and regions and even provinces within the same state.<sup>1</sup>

The Arab Bureau of Education for the Gulf States (ABEGS) was established in 1975, many years before the formation of the GCC. The ABEGS is governed by the General Conference comprising ministers of education of the GCC states. The

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1. See A.M. Abouammoh, "The Role of Higher Education in Intercultural Dialogue" (Presentation at the First Saudi French Symposium for Inter-Cultural Dialogue, March 2-9, 2009, Riyadh, Saudi Arabia) and A.M. Abouammoh, "The Impact of Education Cooperation on USA-GCC Relations" (Presentation at Gulf Forum 2009, US-Gulf Relations Post-Election, January 5-7, 2009, Riyadh, Saudi Arabia)

ABEGS has the Arab Center for Educational Training for the Gulf States in Qatar, Arab Gulf States Education Research Center (GASERC) in Kuwait,<sup>2</sup> and the Arabian Gulf University (AGU) in Bahrain.<sup>3</sup> One of the main joint initiatives is the ABEGS-GASERC and the International Bureau of Education (IBE)-UNESCO joint curriculum projects for the development of the GCC schools' curriculum.<sup>4</sup>

The GCC states have taken many different actions to preserve their cultural and education identity in the increasingly globalized world. It is acknowledged that education, at all levels, and higher and university education in particular, plays a significant role in national and regional cultural development. GCC states, like many other countries in the world, have emphasized the importance of cooperation, increasing participation, and enhancing the quality of their education.

In fact, the GCC Supreme Council, comprising the heads of the six member states, has considered various issues and recommended some practical actions on issues of common interest in education in many of its yearly meetings. Some of these issues are the outcome of the regular meetings of the Ministers of Higher Education of the GCC states while others are due to the individual initiatives of the heads of states.<sup>5</sup>

In the GCC Supreme Council's annual summit meetings in December and mid-year consultative meetings, various education-related issues have been discussed. The major issues discussed since 1985 are presented in Table 1, and it is clear from this that the GCC Supreme Council has shown its concern regarding education issues in every meeting since 1985.

On the other hand, all GCC states have a very high growth rate for pre-university and university education in terms of the number of schools, students and teaching staff.

Table 2 presents the growth in the number of students in pre-university schools. The student body in GCC schools was estimated to be about 8.8 million in 2007/2008. Whereas the total number of students in schools grew by 3.0 percent, the rate of growth in the number of female students was 4.1 percent in 2004/2005. Female students form on average about 48.23 percent of the total number of school

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2. GASERC, <http://www.gaserc.edu.kw/Default.aspx?pageId=25>, Retrieved April 13, 2009.

3. AGU (2009). Arabian Gulf University, <http://www.agu.edu.bh/en/index.asp>

4. AGIU (2001). Cited May 14, 2009, <http://www.ibe.unesco.org/en/curriculum-development/countries/gaserc-abegs-project.html>,

5. GCCGS (2004), "Comprehensive Development of Education in the GCC States: The Directions in the Supreme Council Resolution at the 23rd Session on Education, Doha December 2002," General Secretariat, Riyadh, Saudi Arabia. Translated by A.H. Almansour (2006).

students in the GCC states. This is a very good indicator of gender equality in pre-university education in the GCC states.

**Table 1: Educational Issues at the GCC Supreme Council**

Session & Year	Place of Meeting	Action or Recommendation
Dec. 6, 1985	Muscat, Oman	Equal treatment to all GCC students at various education stages
Dec. 6, 1985	Muscat, Oman	Adopting objectives and means to ensure effective role of education in development plans and integration
Dec. 8, 1987	Riyadh, Saudi Arabia	Further support the Gulf University as a GCC joint project
Dec. 8, 1987	Riyadh, Saudi Arabia	Equal treatment of GCC students at higher education institutions in respect of admission
Dec. 16, 1995	Muscat, Oman	Allow GCC citizens to practice economic activities in the education field
Dec. 19, 1998	Abu Dhabi, UAE	Development of pre-university curriculum
Dec. 20, 1999	Riyadh, Saudi Arabia	
Dec. 20, 1999	Manama, Bahrain	
Dec. 22, 2001	Muscat, Oman	Approving the recommendations of Consultative Committee on education and research
Dec. 23, 2002	Doha, Qatar	Development of pre-university curriculum
Dec. 23, 2002	Doha, Qatar	Adoption of educational part of the document of views by HRH King Abdullah bin Abdulaziz
Dec. 26, 2005	Abu Dhabi, UAE	Development of Islamic Study curriculum
Dec. 27, 2005	Riyadh, Saudi Arabia	Educational dimension of the Kuwait paper
Dec. 28, 2007	Doha, Qatar	Common procedures and standards for equivalence of foreign degrees

\*Source: GCC GS (2008)

The high growth rates have put a lot of strain on the education administration and planning and have resulted in weaker education performance. In fact, the performance of almost all the GCC states in mathematics and science for grades 4 and 8 in the Trends in International Mathematics and Science Study (TIMSS) for 2003 and 2007 was unsatisfactory. The GCC states involved in this competition (see

Table 3) have scored much below average in both subjects for the fourth and eighth grades. This poor performance supports the view of educationists and academicians of the region on the urgent need for educational reforms both in school and university education. One may deduce that TIMSS results for two consecutive sessions and other indicators, such as university entrance tests, might have persuaded the GCC Supreme Council members to consider education issues in many of its sessions.

**Table 2. Size of Enrollment at Pre-university Schools in GCC States, Growth Ratios and Female Percentage**

GCC State	2002/2003		2003/2004		2004/2005		2007/2008	
	Total	FP+	Total	FP+	Total	FP+	Total*	FP+
<i>Bahrain</i>	148,318	49.53%	151,810	49.40%	154,335	49.34%	164,592	49.10%
<i>Kuwait</i>	398,739	49.71%	415,836	49.42%	422,017	49.76%	780,392	48.89%
<i>Oman</i>	593,366	48.30%	592,623	48.27%	648,540	52.15%	1,080,032	51.14%
<i>Qatar</i>	117,694	49.09%	118,711	48.90%	146,585	48.62%	274,732	48.28%
<i>KSA</i>	4,291,685	47.55%	4,355,658	47.62%	4,443,699	47.75%	4,898,271	47.39%
<i>UAE</i>	517,254	49.14%	536,614	48.91%	543,724	48.96%	584,408	48.77%
<b>Total</b>	6,067,056	47.98%	6,171,252	47.98%	6,358,900	48.49%	7,782,428	48.23%
<b>Yearly Growth</b>	-	-	1.7%	1.7%	3.0%	4.1%	4.4%	4.4%

Source : GCCGS (2009): +: Female percentage, \*: Estimated values

The UAE recognized the need for improving its schools through other indicators. For example, the recent findings of the second batch of Dubai school inspections, published on the website of the Knowledge and Human Development Authority (KHDA), found that out of 80 public schools, 32 were good, 43 acceptable, and five were unsatisfactory. There were no outstanding public schools. Out of 109 private schools, four were outstanding, 34 were good, 54 were acceptable, and 17 unsatisfactory. This type of self-evaluation and transparency of findings may have an impact on other GCC school inspections.

Higher education has also received significant support from all GCC states, and private higher education institutions are now functioning in parallel to the public universities. Note that the number of universities has almost doubled in 2008 compared to their number in 2002 (see Table 4). Besides, joint programs, twinning, and collaborative research activities of public and private GCC universities with their European and American counterparts are apparent trends in the region.

**Table 3: TIMSS (Trends in International Mathematics and Science Study)**

Country	2003				2007							
	MG8		SG8		MG4		MG8		SG4		SG8	
	R	SC	R	SC	R	SC	R	SC	R	SC	R	SC
<i>Bahrain</i>	37	401	33	438			35	398				
<i>Kuwait</i>	-	-	-	-	35	316	44	354	31	348	38	418
<i>Oman</i>	-	-	--	---			41	372			36	423
<i>Qatar</i>	-	-	-	-	34	296	48	307	34	294	47	319
<i>KSA</i>	43	332	39	398	-	-	46	329	-	-	44	403
<i>UAE</i>	-	-	-	-				-	-	-	-	-
<i>Average</i>	-	466	-	473	-	500	-	500	-	-	-	-
<i>No of States</i>	45		45			36	48		35		48	

G: Grade, M: mathematics, S: Science, R: Rank. SC: Score

**Table 4: Number of Universities in GCC countries for four academic years**

Country	2001/2002	2002/2003	2003/2004	2007/2008
Bahrain	8	9	10	15*
Kuwait	6	6	6	6
Oman	4	4	4	5
Qatar	3	4	5	7**
Saudi Arabia	8	8	11	25
UAE	8	8	8	15
Total	37	39	44	73
Growth wrt 2002	-	5.4%	18.9%	97.3%

Source: GCCGS, Information Center, Statistical Department, Statistical Bulletin v15, 2006; Websites of MoE or MoHE in GCC countries, Mukerji and Jammel (2008). \*Education Report for Bahrain for the IBE, 2008; \*\*QF Website

Table 5 presents the growth in the number of university and higher education students in the GCC states. In fact, the estimated number of higher education students for the year 2008-2009 is 865,769. Female students form about 60.13 percent of the student body. The earlier higher growth rates might be due to the labor market need for higher qualifications for work, the public demand for higher participation, and the awareness of the role of higher education in the advancement of individual citizens and in community development. Further, the estimated yearly

growth rate has decreased in the last three years and it is about 2.7 percent for 2008/2009, which seems to be comparable with the estimated growth ratio of population.

It may be noted that the increase in the number of institutions and students has not been matched by the increase in teaching staff. This is because most of the expansion was at the undergraduate level – most institutions are too recent to provide graduate programs – and the scholarships for postgraduate studies (master’s and doctoral) abroad were very limited until five years ago. This limitation was due to the low oil revenues, the availability of expatriate teaching staff from other Arab countries, rapid changes in the workforce and insufficient planning.

**Table 5. Students Enrollment in Higher Education, Female Ratio and Yearly Growth**

Country	2001/2002		2003/2004		2005/2006		2008/2009	
	Total	FP++	Total	FP+	Total	FP+	Total	FP+
Bahrain	41,997	60.80%	41,997	60.80%	33,660	59.47%	41,997*	60.80%
Kuwait	19,318	71.41%	19,318	71.41%	18,835	69.83%	19,318*	71.41%
Oman	22,104	53.65%	22,104	53.65%	21,568	52.54%	22,104*	53.65%
Qatar	7,819	74.89%	7,819	74.89%	7,857	72.97%	7,819*	74.89%
KSA	699,076	59.12%	699,076	59.12%	636,445	57.88%	699,076	59.12%
UAE	75,455	66.60%	75,455	66.60%	72,715	65.22%	75,455*	66.60%
Total	865,769	60.13%	865,769	60.13%	791,080	58.91%	865,769	60.13%
Growth	2.7%		2.7%		5.1%		2.7%*	

Source: GCC Secretariat General Information Center-Statistical Department, Statistical Bulletin v15, 2006; Saudi Arabia MoHE, +: female percent; \*: Estimated value.

In January 2004, the GCC General Secretariat (GCCGS) published a document entitled “The Comprehensive Development of Education in the GCC States.”<sup>6</sup> This document is the outcome of a study by a team of experts regarding the implementation of the directions given in the GCC Supreme Council resolutions issued during the 23<sup>rd</sup> session. A SWOT analysis was performed in this study. In particular, a diagnostic review of the GCC education systems was done, challenges were highlighted, directions of the Supreme Council were spelt out, and suggestions for comprehensive development were proposed.

The review of education in the GCC states indicated that the main challenges

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6. See GCCGS, 2004, op. cit.

facing the region's education systems are:

- Poor performance on the international level
- Non-integration of education processes and curriculum
- Absence of a cultural dimension in the educational process
- Weaknesses in the training and qualifying of the education leadership
- Low efficiency and effectiveness of graduates
- Limited partnership between educational institutions and community

## **1. Higher Education in the GCC States**

Investment in universities and higher education colleges, especially in the private sector, has been increasing in the last three years. A few years ago, the University of Bahrain, the United Arab Emirates University, the University of Kuwait, Sultan Qaboos University, and the University of Qatar were the only national universities in their respective countries. At present, and in spite of the many private universities in the GCC states, these national universities continue to enroll most of the higher education students often reaching up to 90 percent. Similarly, King Saud University and King Abdulaziz University used to be the large national universities in Saudi Arabia. Except for Saudi Arabia, most of the growth in the number of universities and higher education institutions in the GCC states is due to licensing of private higher education institutions. The number of Saudi public universities rose from eight in 1998 to 21 by 2009, while six private universities and about 17 private colleges were also added.

It is worth noting that economic feasibility has forced some branches of foreign universities in some GCC states to either close down or reduce their operations. While the growth of private higher education institutions has been in step with the expansion of public higher education, it is expected that the economic downturn in the world will affect the growth of both public and private educational institutions for the next two to three years.

From Table 5, one can state that the number of students in the higher education institutions is expected to exceed one million in the next five years. This is mainly due to the continuous building of university capacity for additional enrollment of students. The average yearly growth rate of higher education students is 2.7 percent for 2008/2009. Female students form about 54 percent in Oman and about 75 percent in Qatar and the GCC average is about 60 percent. For family, social and cultural reasons, male students get most of the scholarships for studying abroad in

almost all the GCC states. For example, in 2008, female students held about 20 percent of the Saudi scholarships for study abroad. Besides, enrollment in military colleges and institutes are almost restricted to male students. In addition, most of the vocational, two-year technical education and training institutes enroll male students only. Furthermore, male students have a better chance to be employed in the industry with high school certificates. Most of the growth rate in the number of higher education students is due to the increase in female students. The number of disciplines available for female students has increased. In fact, GCC states, without exception, are providing more opportunities for women in almost all sectors of their economy, but the implementation of these efforts is still slow for social and cultural reasons.

In spite of the fact that there is significant growth in the number of teaching staff in higher education compared to the growth in the number of students, data reveals that the staff-student (SS) ratio is not improving significantly. Some GCC states published data of overall ratios and numbers regardless of gender, since in most of the states, male staff can teach female students. It must be noted also that expatriates form the majority of staff in all GCC states' higher education institutions.

Meanwhile, the GCC higher education institutions have been observing the result of the Times Higher Education (THE-QS) university rankings, the Academic Ranking of World Class Universities (WCU) of Shanghai Jiao Tong University (SJTU) as well as the Webometrics Ranking of World Universities (Webometrics).<sup>7</sup> The GCC higher education institutions are either absent from these rankings or hold very low positions. The failure of the GCC universities to be included or to score high ranks in the international classifications of world-class universities compelled some of these universities to give more emphasis to classification factors such as excellence in research and quality education.

It is known that the Webometrics Ranking was to promote Web publication, not to rank institutions. Its aim is to support open access initiatives and electronic access to scientific publications and other academic material. Table 6 presents the rank of the first 10 universities in the GCC states, in a list which included 6,000 higher education institutions in the world. Other GCC higher education universities have either scored ranks above 3,500 or have not been included. In

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7. THE-QS, [http://www.topuniversities.com/university\\_rankings/results/2008/overall\\_rankings/fullrankings/](http://www.topuniversities.com/university_rankings/results/2008/overall_rankings/fullrankings/); SJTU, <http://www.arwu.org/rank/2007/ranking2007.htm>; TIMMS, <http://nces.ed.gov/timss/tables07.asp>; WEBOMETRICS, <http://www.webometrics.info/top6000.asp>

the THE-QS world university rankings, which is a more academically reliable ranking than the Webometrics, the only GCC university that featured was the King Fahd University for Petroleum and Minerals (KFUPM) which was placed 338 out of the top 500 universities in the world.<sup>8</sup> At present, GCC education officials are placing more emphasis on quality education. Ministries of Education or Higher Education in the GCC states either have concluded or are working on strategic plans for the development of their education systems. In addition, some individual universities have initiated their own strategic plans for achieving better education, internationally competitive research, and greater impact on the community.

**Table 6: Ranks of the First 10 Higher Education Universities in the GCC States in the Webometrics University Rankings**

GCC Rank	University	Country	World Rank
1	King Saud University	KSA	197
2	King Fahd University of Petroleum & Minerals	KSA	303
3	Imam Muhammad bin Saud University	KSA	636
4	King Faisal University	KSA	993
5	King Abdulaziz University	KSA	1,072
6	King Khalid University	KSA	1,268
7	United Arab Emirates University	UAE	1,646
8	Umm Al-Qura University	KSA	1,968
9	Kuwait University	Kuwait	1,978
10	Sultan Qaboos University	Oman	2,621

Source: [http://www.webometrics.info/top100\\_continent.asp?cont=aw](http://www.webometrics.info/top100_continent.asp?cont=aw), visited July 25, 2009

At the regional level, two major initiatives were put before the GCC Supreme Council by Saudi Arabia and Kuwait in 2002 and 2006, respectively. The first of these is the “Document of Thoughts” proposed by Saudi King Abdullah bin Abdulaziz for the development of the education sector at all levels in the GCC states. This proposal, which was drafted in 2002 when King Abdullah was the

8. See THE-QS, [http://www.topuniversities.com/university\\_rankings/results/2008/overall\\_rankings/fullrankings/](http://www.topuniversities.com/university_rankings/results/2008/overall_rankings/fullrankings/)

Crown Prince of Saudi Arabia, stressed the importance of a collective GCC effort to initiate comprehensive development of the education sector in the region. The fundamental points of this proposal are:

- Build a foundation for technical and scientific education in the region
- Achieve compatibility between education outputs and development requirements
- Develop education and training curricula
- Enhance coordination and integration between educational institutions of the GCC states
- Stress the importance of common activities in education

On January 31 and February 1, 2005, King Abdulaziz University of Saudi Arabia held an international workshop to deliberate on these points in order to come up with implementation strategies.

In 2006, the Amir of Kuwait Shaikh Sabah Al-Ahmad Al-Sabah proposed what is known as “The Kuwait Paper for Development.” The sections devoted to education were passed on to a group of education experts so that they could draft the guidelines for implementation of the four programs proposed in the paper. These four programs may be summarized as follows:

- Emphasize education for citizenship
- Enhance moderate views and remove extremism
- Achieve excellence in research
- Build models for knowledge management

Furthermore, most of the Ministries of Education or Higher Education in the GCC states have made, or are making, strategic plans for enhancing higher education capacity. Higher participation, equity, quality, financing, better management and responsive governance, excellence in research and internationalization are clearly addressed in almost all proposed future action plans, reforms or development programs in higher education. To be specific, the major common objectives of these plans and reforms are:

- Address the demand of the labor market
- Increase number of graduates in highly demanded disciplines
- Support higher social participation
- Enhance quality assurance in management and delivery
- Adopt variety of funding schemes in education, and

- Give room for private support and management (for profit and non-profit) of education institutions.

In fact, many projects being implemented in the GCC states are either the results of quick achievements in education planning and reform or outcomes of research projects on various aspects of higher education.

It is worth mentioning that the GCC higher education systems have faced many challenges like education systems elsewhere in the world. These include political, economic, socio-cultural, quality and technology challenges. These challenges must be viewed in the context of globalization and the knowledge explosion that has occurred in recent years.

To respond to these challenges, the GCC Supreme Council has adopted development plans that can be briefly summed up as:

- Developing the curriculum and education processes
- Training teachers
- Governance and management
- Integrating resources and exchanging experience
- Improving standards and assuring quality.

At the individual GCC state level, many reform, restructuring, modernization and quality and quantity enhancing measures have been undertaken in the higher education institutes and systems.

## **2. Common Direction of Reforms and Trends**

Since the formulation of the UN Millennium Development Goals (MDGs) in 2001 – many of these goals are related to education – many countries, including the GCC states, have exerted efforts to develop their education systems. In spite of the fact that the GCC states are mainly concerned with the overall objective of these goals, they have joined many regional initiatives or introduced their own on education development and reform. The main regional initiatives have been listed in Table 1. The main strategic objectives for the comprehensive development of education in the GCC states can be summarized as follows:

- Upgrading the education processes and integrating learning and evaluation
- Professionalizing education by setting standards for qualifying practitioners, as well as regulating its practices and its ethics
- Providing necessary manpower and support and making possible governance that enhances the renewal of education processes

- Enabling high-level output of people with necessary skills and knowledge to participate efficiently in all development sectors
- Supporting the partnership of educational institutions with society, business and public sector

In fact, joint projects have been proposed to achieve these objectives and encourage the comprehensive and integrated development of education. These projects are presented in four major sections as follows:

- Joint view on professionalizing education
- Quality assurance for management and governance of education institutions
- E-schools and E-university
- Education-society partnership

A GCC team of experts laid out detailed objectives for every project and proposed relevant executive programs. Efforts are continuing for joint or individual implementation of these programs to further comprehensive development of the GCC education systems.

There are yearly meetings for various policy and decision makers such as ministers of higher education and ministers of education, presidents of the GCC universities, and chairmen of foreign degrees accreditation bodies.

The GCCGS Sector of Human Development and Environment proposes the agenda for these regular meetings and puts forward various possibilities for joint work or coordination. For example, on March 2, 2009, this department held a workshop entitled “Private Higher Education in the GCC States: Challenges and Opportunities.” The outcome of this workshop was to be included in the agenda for the October 2009 meeting of presidents of the GCC States’ universities in Oman. Meetings of GCC education administrators and managers have been effective in drawing up common directions for further cooperation and integration of the higher education systems in the region.

### **3- EU-GCC Projects on Education**

The EU’s activities in higher education are initiated for better integration and cooperation regarding education programs within the bloc. For example, the Bologna Process, the Erasmus Program, the European Credit and Transfer System (ECTS) the diploma supplement (DS), European Qualification Framework (EQF) and Tempus Program are meant for enhancing the EU goals for a better economy, further integration of the union, and promoting European citizenship. Consecutive

meetings led to the Paris Declaration (1998), Bologna Declaration (1999), Prague Declaration (2001), Berlin Declaration (2003), Bergen Declaration (2005) and London Declaration (2007) have played a very significant role in forming a European Higher Education Area (EHEA).<sup>9</sup>

British, French, and German schools as well as schools from some other European countries provide education in many major cities in the GCC states. These schools are mainly for their respective nationals but some of them enroll students who are citizens of the hosting states and other foreign nationalities. Some of these schools offer courses in Arabic language, history of the region, and cultural aspects of the respective GCC state.

At the higher education level, there have been efforts to encourage further EU-GCC cooperation through such EU education programs as Erasmus Mundus, Tempus and the Jean Monnet Program (modules, chairs and centers of European studies) in association with non-EU higher education institutions.

An EU-GCC agreement on higher education is slowly but firmly taking shape. Meetings have been held over the last several years, and the EU held a major meeting in Dubai in December 2009 to announce the new action program under Erasmus Mundus.

At the university level, GCC states host branches of European universities or European university campuses. Some GCC higher education institutes have MOUs or cooperation agreements with their EU counterparts.

One of the major EU-GCC projects is the collaboration between the UK Open University (UKOU) and the Arab Open University (AOU). In fact, AOU is a non-profit private university set up in 2002 in Kuwait, Jordan, and Lebanon. One year later, it opened in Bahrain, Saudi Arabia, and Egypt and will soon start operations in Oman. The AOU is funded by the Arab Gulf Fund for United Nations Development Organizations (AGFUND). The AOU is affiliated to the UKOU through agreements that cover licensing of materials, consultancies, accreditation, and validation.

The British Council offices in Saudi Arabia and other GCC states support many joint programs at university or graduate levels, twinning agreements between institutions, and technical education equivalence and accreditation.

The King Saud University and University of Leeds have agreed to offer a joint masters program on teaching English as a foreign language (EFL) i.e. for non-

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9. Pavel Zgaga, "Looking out: The Bologna Process in a Global Setting - on the 'External Dimension' of the Bologna Process," Norwegian Ministry of Education and Research, 2006.

native English speakers. Similar agreements between various universities to teach other European or Arabic languages in European universities can encourage more inter-cultural interaction.

In addition, one has to mention that King Saud University indicated that a MoU is being discussed with the Royal Swedish Academy of Science on further research cooperation. The University has already signed an agreement with SAAB, the Swedish company, on advanced technology research. It has also entered an agreement with Linköping University of Sweden to develop its business program. Besides, the Ministry of Education in Saudi Arabia and Malmo Foundation of Sweden signed an agreement on a cultural exchange program titled “Riyadh Calls Malmo: Are You with Us?” where children from the two countries participate jointly in various cultural activities and exhibitions.

In 2004, Bahrain set up the RCSI Medical University of Bahrain (MUB) in collaboration with the Royal College of Surgeons in Ireland (RCSI). Students from Bahrain, India, Italy, Kuwait, Pakistan, Saudi Arabia, United Arab Emirates, US and Yemen were admitted to the inaugural foundation year.<sup>10</sup> In 2005, RCSI set up postgraduate training facilities in Dubai Healthcare City to help train medical practitioners. RCSI also provides medical training and education to institutions in Kuwait and Jordan and is currently in discussions with a university in Saudi Arabia to re-commence its 25-year association with medical training in the Kingdom.<sup>11</sup>

The British University in Dubai (BUiD) was established in 2004 in Dubai, UAE. BUiD aspires for recognized British standards through its partnerships with the University of Edinburgh, University of Manchester, University of Birmingham, Cardiff University and the Cass Business School of City University, London.

According to news at the Bangor University website, the first British University in Kuwait is being established with the help of staff and academics from Bangor University. The Bangor Business School will be the lead academic group at Bangor within this initiative. The ‘British University in Kuwait’ is a private institution which will offer degrees mainly in the areas of business and management and is likely to open in 2010.<sup>12</sup>

An official of the EU Commission for the Gulf States in Riyadh, in a personal communication, informed that two million Euros have been allocated by the EU

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10. At present, MUB has two schools namely the School of Medicine and the School of Nursing and Midwifery and has 421 students, 13 percent of them are Saudi, see HEEC (2009) Report.

11. See <http://www.rcsi-mub.com/>

12. <http://www.bangor.ac.uk/news/full.php?Id=169>, visited on April 15, 2009.

to boost cooperation in education and mainly for EU-GCC exchange programs in higher education.

Many GCC students are using their own finances or their government's scholarships to study at different EU universities. Statistics shows that GCC students in Europe are mainly located in Britain, France, Germany and other EU state universities.

The King Abdullah Scholarship program is one of the new initiatives managed by the Ministry of Higher Education in Saudi Arabia for Saudi students to study for bachelors, masters, doctorate, and medical residency and fellowship programs. The June 2008 statistics of the King Abdullah Scholarship program shows that there are almost 60,000 students studying abroad on this program, and 21 percent of them are females. Some of these programs are run through MOUs between the Ministry of Higher Education in Saudi Arabia and their counterparts as well as higher education institutions in the EU countries. In fact, 22.02 percent of King Abdullah Scholarship holders are studying in EU countries and 26.41 percent of them are females.

There are other EU-GCC joint cultural and educational activities but they are not being elucidated in this paper.

## **Conclusion**

Higher education plays a very significant role in various aspects of life and it is at the core of all sustainable and comprehensive development. Legislators and governments of the GCC states have supported the MDGs especially because of their impact on other aspects of social development. Eliminating gender and social disparity at all levels of education was one apparent objective in various educational reform and development programs. The size of the proposed joint programs and initiatives, national and regional activities related to education, and collective meetings of GCC political and education policy makers underline that education, and higher education in particular, has very high priority for these states.

Similar importance is given to education by EU countries through the Bologna Process and other related consecutive declarations in order to enhance the European economy, have better impact internationally and consolidate European citizenship. They have also recognized that educational mobility can have an impact on intercultural understanding, by introducing Erasmus Mundus, Tempus and Jean Monnet programs.

Many agreements on education, research cooperation and cultural programs,

as well as inter-institutional agreements and MoUs are being signed between individual EU countries and GCC states or their respective cultural and education institutions. These inter-regional activities can be studied, improved and upgraded. The EU countries and the GCC states have their own cross-border or international initiatives and programs for education and culture. It is important to disseminate information about successful stories of cooperation at the EU-EU, GCC-GCC and EU-GCC levels and explore further possibilities.

It may be noted that GCC citizens' participation in various EU higher education initiatives is very insignificant. While the EU officials have shown their willingness to move forward formal and informal cooperation, the response of the GCC needs to be faster and better for upgrading coordination on various initiatives.

At present, there are private and official cooperation programs, activities and efforts to enhance relations between the EU and the GCC countries. In fact, regardless of the progress on the inter-GCC political, economic and social relations front, there are few integrated strategies or collective practical programs for cooperation in the development of education at the GCC level.

It is hoped that prior to or in parallel to advancing relations with EU countries, the GCC will adopt greater inter-state educational mobility that will help in better integration in the education arena. Programs similar to Erasmus Mundus, and the GCC credit transfer system for university education resembling the ECTS, are needed. In addition, an agreement in the field of higher education to promote educational mobility and achieve academic degree recognition in a mechanism similar to the Bologna Process can enhance not only education but also inter-GCC cooperation.

A series of workshops for leaders and scholars of GCC and EU-GCC higher education institutions can have a better impact on boosting educational cooperation and cultural understanding.

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## 6

# Where Do GCC Women Stand in the Development Process?

*Ebtisam Al-Kitbi*

### **Introduction**

In the last three decades, there has been a marked shift in the approach to women's issues from welfare to development in the GCC countries. Due to their abundant natural resources, most GCC countries have experienced unprecedented growth in recent years and are currently undergoing an economic and cultural metamorphosis. The effects of these changes on women and their rights cannot go unnoticed.

Over the last five years, important steps have been taken in each GCC country to improve the status of women. In 2009, women in Kuwait won four seats in the parliamentary elections. In Bahrain and the UAE, the first women judges were appointed in 2006 and 2008, respectively, setting an important precedent for the rest of the region. Besides, the codification of family laws in Qatar and the UAE has been seen as another step forward; previously, family issues were decided based on each judge's interpretation of Islamic law. Since 2003, women have become more visible participants in public life, education, and business in all of the Gulf countries.

In Qatar and the UAE, the positive change has come as the result of both an increased political will to engage on the issue of women's rights as well as advocacy by the powerful. In Kuwait, Bahrain, and Saudi Arabia, reform is driven in large part by the strong grassroots efforts of women's rights activists, lawyers, and journalists. An earlier push to improve the quality of women's education, combined with the growing presence of women in the workplace, has prompted an increasing number

of women to demand greater rights in other spheres of life, including politics and family.

## 1. Population

According to the latest estimate, the GCC population is about 36 million, one-third of them foreigners. Women constitute 42 percent of the total population.

**Table 1: Population according to Nationality (2006)**

	<b>Bahrain</b>	<b>Kuwait</b>	<b>Oman</b>	<b>Qatar</b>	<b>Saudi Arabia</b>	<b>UAE</b>	<b>Total</b>
<b>Male</b>	632,074	1,430,584	1,622,119	920,414	13,391,926	3,084,000	21,081,117
<b>Female</b>	407,223	980,245	1,121,380	305,796	10,850,652	1,404,000	15,069,296
<b>Total</b>	1,039,297	2,410,829	2,743,499	1,226,210	24,242,578	4,488,000	36,150,413
<b>Female Percentage</b>	39.18	40.66	40.87	24.93	44.75	31.28	41.68

Source: GCC Secretariat

## 2. Economic Participation

In nearly all GCC countries, women today are better represented in the labor force and play a more prominent role in the workplace than was the case some years ago. In 2007, for example, the proportion of employed women was 25.32 percent in Kuwait while in Bahrain it was 23.56 percent (in 2006) and in the UAE it was 13.87 percent (see Table 2). Compared with male employment, however, these figures remain glaringly low. Men constituted over 80 percent of the labor force in the GCC, and this figure has remained static over the last five years.

The growing number of working women appears to be the result of increased literacy and educational opportunities, slowly changing cultural attitudes, and government policies aimed at reducing dependence on foreign labor. Although society as a whole tends to view formal employment and business as male activities, parents and husbands alike are starting to rely more on the financial support provided by their daughters and wives.

**Table 2: Labor Force Participation in Gulf States by Nationality, 2007  
(in thousands)**

	UAE	Bahrain*	Saudi Arabia	Oman**	Qatar	Kuwait	Total GCC
<b>Non-Citizen Females</b>	337	40.5	602.9		76.6	384	1441
<b>Citizen Females</b>	57	44.2	667.2	65.75	21.2	134.5	989.85
<b>Non-Citizen Male</b>	2265	169.5	3596.8	660.95	686.4	1352.5	8731.15
<b>Citizen Male</b>	181	105.3	3362.7	190.43	40.3	177	4056.73
<b>Total Labor Force</b>	2840	359.5	8229.6	917.13	827.5	2048	15218.73
<b>Female Percentage</b>	13.87	23.56	15.43	7.16	11.81	25.32	15.97

Source: GCC Secretariat

\* Figure for Bahrain is for 2006

\*\* Non-Citizen Male Figures include total non-citizen labor force thus making it impossible to provide a concrete figure for total female labor force participation. Figure listed here is for citizen females only.

According to the data, the average percentage of working women in all the six countries is 15.97 which means one sixth of the total labor force is female. However, it varies from one country to another with the highest in Kuwait and the lowest in Oman. Also, women are concentrated in government jobs because these represent greater job security and higher income. Women are primarily employed in education, health care, and civil service jobs. However, with the expansion of the private sector opening up more chances for employment, more and more women are working in that sector. In Saudi Arabia, the kingdom's labor ministry recently set up a working group to study how more private sector jobs could be created for women.

Women in Gulf States compete for jobs not only with male citizens but with expatriate males who constitute a large percentage of labor force in these countries. So, governments across the Gulf are looking to the private sector to provide more jobs for their growing populations.

Approximately 29,734 businesses in the Gulf are owned by women currently, marginally up from 29,453 in 2003. In addition, females own more than 10 percent of mutual funds.

Government policies designed to reduce dependence on foreign labor in most of the Gulf countries have led companies to start recruiting women aggressively to fill newly-established quotas for citizen employees. In the UAE, for example, the

Ministry of Labor no longer allows work permits for foreigners seeking employment as secretaries, public relations officers, and human resources personnel; consequently, most of the new hires for these positions are Emirati women. In Oman, a policy of “Omanization” has had a particularly positive effect on poor, less-educated women, who have been able to obtain jobs as cleaners, hospital orderlies, and kitchen help, allowing them to support themselves in the face of economic hardship as well as giving them a new role in the community.

Although such policies have increased the overall number of working women, they have also highlighted the cultural limits placed on female professionals. Many women complain of difficulty in advancing beyond entry-level positions despite their qualifications and job performance, leading to a popular perception that they were hired only to satisfy the government quotas. In fact, these policies have resulted in a “sticky floor” for young and ambitious women. Throughout the region, very few women are found in upper management and executive positions, arguably due to cultural perceptions that women are less capable, more irrational, and better suited for family responsibilities.

### **3. Educational Attainment**

Education has been a prime area of progress for women in the region, and it is an important avenue for their advancement toward broader equality. Since the 1990s, women in all six Gulf countries have made gains in access to education, literacy, university enrollment, and the variety of subjects of study available to them. That trend has continued, for the most part, over the past five years. The primary school completion rate for girls has grown by 15 percent in the UAE, 12 percent in Qatar, and 3 percent in Oman. Moreover, Qatar and the UAE now have the highest female-to-male university enrollment ratio worldwide, with women outnumbering men three to one.

Although women are generally encouraged to study traditionally female disciplines such as education and health care, they have started entering new fields, including engineering and science. For example, in Qatar, women were accepted for the first time in 2008 in the fields of architecture and electrical and chemical engineering. In Saudi Arabia, three educational institutions began to permit women to study law in 2007, although they are only allowed to act as legal consultants to other women and remain prohibited from serving as judges and lawyers in court.

Despite these improvements, there are still many barriers to true gender

equality in education. In Kuwait and Oman, women are required to achieve higher grade-point averages (GPAs) to enroll for certain disciplines at the university level. For example, female students in Kuwait must obtain a 3.3 GPA to be admitted to the engineering department, while male students need only a 2.8 GPA. As women comprise almost two-thirds of the student body at Kuwait University, the disparity in admission requirements is explained by university officials as “reverse discrimination,” intended to increase the percentage of male students in certain academic fields.

#### **4. Political Participation**

Throughout the Gulf, both male and female citizens lack the power to change their government democratically and have only limited rights to peaceful assembly and freedom of speech. Despite the overall lack of freedom, however, women have made notable gains over the last five years in achieving the right to vote and run for elected offices, holding high-level government positions, and lobbying the government for expanded rights. These reforms have been most visible in Kuwait, where women received the same political rights as men in 2005 and exercised those rights for the first time in the parliamentary elections of 2006 and won four seats in the 2009 parliamentary elections.

In the UAE, eight women were appointed and one was elected to the 40-member Federal National Council (FNC), an advisory body to the hereditary rulers of the seven emirates. Previously, no women had served on the FNC, which until 2006 was fully appointed by the seven rulers in a number proportionate to each emirate’s population. In other countries, such as Oman and Bahrain, the government has appointed an increasing number of women to unelected positions, including cabinet and diplomatic posts. In addition to serving in the executive and legislative branches of government, women in the UAE and Bahrain are now permitted to act as judges and prosecutors. Although women remain severely underrepresented in political and leadership roles, their increased visibility in public life could help to change cultures in which only men are seen as leaders and decision-makers.

#### **5. Legal Discrimination**

In 2004, Qatar joined Oman and Bahrain in adopting a legal provision specifying that there shall be no discrimination on the basis of sex. While the constitutions of Kuwait and the UAE do not include a gender-based nondiscrimination clause,

they do declare that “all citizens are equal under the law.” Only in Saudi Arabia does the constitution lack a provision committing the government to a policy of nondiscrimination.

Regardless of constitutional guarantees, women throughout the region face legal forms of discrimination that are systematic and pervade every aspect of life. For example, in none of the Gulf countries do women enjoy the same citizenship and nationality rights as men, which can carry serious consequences for the choice of a marriage partner. Under such laws, a man can marry a foreign woman with the knowledge that his spouse can become a citizen and receive the associated benefits. By contrast, a woman who marries a foreigner cannot pass her citizenship to her spouse or her children. Children from such marriages must acquire special residency permits, renewable annually, in order to attend public school, qualify for university scholarships, and find employment.

Over the last five years, a few countries have made it possible, in very limited circumstances, for foreign husbands and children of female citizens to obtain citizenship. In Saudi Arabia, amendments to the citizenship law in 2007 allowed the sons of citizen mothers and noncitizen fathers to apply for Saudi citizenship once they turn 18, but similarly situated daughters can obtain citizenship only through marriage to a Saudi man. In Bahrain, over 370 children of Bahraini mothers and noncitizen fathers were granted Bahraini citizenship in 2006, but this was an ad hoc decision made at the discretion of the king, and there is no guarantee that it will be repeated in the future. While some of these measures technically represent modest improvements, the vast extent of gender discrimination in citizenship rights remains largely unchanged.

Women’s rights organizations, particularly in Bahrain and Kuwait, have taken up citizenship inequality as one of their main causes and have actively lobbied their governments for reform. However, many in the region believe that if these laws were changed, foreign men would easily “trick and seduce” national women in order to obtain citizenship and receive the substantial social benefits that it confers.

Apart from citizenship, women also face gender-based restrictions in labor laws, can legally be denied employment in certain occupations, and are discriminated against in labor benefits and pension laws. However, gender inequality is most evident in personal status codes, which relegate women to an inferior position within marriage and the family, declare the husband to be the head of household, and in many cases require the wife to obey her husband. Under the family codes of all six Gulf countries, a husband is allowed to divorce his wife at any time without a stated reason, but a wife seeking divorce must either meet very specific and onerous

conditions or return her dowry through a practice known as ‘khula.’ Furthermore, women need a guardian’s signature or presence in order to complete marriage proceedings, limiting their free choice of a marriage partner. In Bahrain and Saudi Arabia, there is no codified personal status law, allowing judges to make decisions regarding family matters based on their own interpretations of Islamic law.

Women’s rights organizations in Bahrain have been advocating for codified personal status laws for close to two decades. A draft law was introduced in the parliament in December 2008 and is currently being reviewed by the relevant officials; the strongest opposition to its adoption comes from conservative Shiite Muslim groups. In the UAE and Qatar, the personal status laws were codified for the first time in 2005 and 2006, respectively. Although the new laws contain certain provisions granting women additional rights and are viewed as a positive development, many clauses simply codify preexisting inequalities.

Several other legal changes over the last five years, if properly implemented, have the potential to improve women’s rights. For example, laws requiring women to obtain permission from their guardians in order to travel were rescinded in Bahrain and Qatar. In Oman, the government introduced a law in 2008 stipulating that men’s and women’s court testimony would be considered equal, although it is unclear to what extent this will apply to personal status cases.

A draft labor law in the UAE, if passed, would specifically prohibit discrimination between people with equal qualifications and ban termination of employment on the basis of marital status, pregnancy, or maternity.

Throughout the region, however, the prevailing patriarchal attitudes, prejudice, and traditional leanings of male judges, lawyers, and court officials — as well as the lack of an independent judiciary that is capable of upholding basic rights despite political or societal pressure — threaten to undermine these new legal protections. Unless effective complaint mechanisms are in place and the appropriate court personnel are trained to apply justice in a gender-blind manner, the new laws will not achieve the desired effect. Moreover, unless the judicial system of each country becomes more independent, rigorous, and professional, women of high social standing will continue to have better access to justice than poor women and domestic workers.

## **6. Future Strategies for Advancing Gender Equality**

While the situation of GCC women is generally improving, a number of critical gaps remain. Specifically, governments need to focus their efforts on promoting gender equality and empowering women with the firm understanding that these

issues are principal elements of the developmental process. Within that context, there must be a concerted drive to advance gender equality through various relevant strategies (outlined below), which can be designed and implemented through cooperation with EU on both official and civil society levels.

### *Garnering Political Support*

Policymakers and decision-makers play a central role in reshaping the legal and institutional structures that either facilitate or hinder gender equality. Consequently, the twin pursuit of gender equality and empowering women cannot succeed without a strong political will, which can be enhanced through lobbying and programs to raise awareness on these critical issues.

### *Raising Awareness through the Media*

The media in the Arab region can play a vital role in promoting gender equality by depicting positive and empowering images of women and by portraying women in non-stereotyped gender roles. Moreover, the media can assist in advancing gender equality by addressing controversial issues, particularly violence.

### *Improving Legislative Systems*

Improvements within the legislative system are needed to remove impediments to gender equality and to reform those laws that discriminate against women. Within that context, legislative reform is needed in the following: (a) laws pertaining to personal status in the areas of marriage, divorce, inheritance and child alimony; and (b) laws governing the labor market, thereby creating better and equal access to job opportunities.

### *Revising Educational Curricula*

Educational curricula in schools need to be reviewed with a view to streaming girls and boys into more equitable and empowering gender roles and to eradicating traditionalist stereotypes of women as homemakers and men as breadwinners. Additionally, these revisions need to be undertaken in a way that the enhanced educational systems provide women and men with the necessary knowledge and skills to compete in the labor market.

Furthermore, there is a need to strengthen efforts aimed at providing equal access for women in vocational and technical training.

### ***Democratic Governance***

Democratic governance is achieved when women and men are able to influence the political agenda on an equal footing. In this regard, gender equality is one of the pillars of democratic governance, given that it is aimed at meeting the needs of both women and men and guaranteeing the rights of all citizens.



## **Institutional Reforms and Human Rights Promotion: An Arena for GCC-EU Cooperation**

*Abdulhadi Khalaf*

### **Introduction**

The 19<sup>th</sup> GCC-EU Joint Council held in Muscat in April 2009 was the most recent of a series of fruitless meetings at various official levels. For two decades, EU and GCC officials have, with varying levels of enthusiasm, discussed different measures to push forward their relations and implement plans for a free trade agreement. The final communiqués issued by the 19<sup>th</sup> Joint Council reiterated a statement made by the 18<sup>th</sup> GCC-EU Joint Council held a year earlier. Once again, the attending senior officials:

...noted with satisfaction the progress achieved at the meetings held between the GCC and EU experts on energy, environment, climate change, economy, and higher education. They welcomed the results of the ongoing activities to promote public diplomacy and outreach between the two regions. They also welcomed initiatives on clean energy technologies, scientific Research & Development, and exchanges on higher education between the two regions.”<sup>1</sup>

However, the awaited breakthrough did not emerge, and there is no sign that future meetings of the Joint Council will be different from their predecessors.

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1. Joint Communiqué, “The 19<sup>th</sup> EU-GCC Joint Council and Ministerial Meeting,” Muscat, April 29, 2009, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/107449.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/107449.pdf)

This paper begins with a review of some of the recurring explanations for the GCC-EU stalemate<sup>2</sup> and proceeds to argue two points. First, most of the factors contributing to the current stalemate are likely to persist. Second, overcoming this stalemate requires, to paraphrase Young (2009), creative thinking and flexibility as well as changing both sides' mind-set in order to recognize that leaving their relations on the backburner is not an adequate policy.<sup>3</sup> This echoes several earlier calls for a major change of track in European dealing with the Gulf region. Luciani, *et.al.* suggest that:

Substantially greater human resources within the Commission should be devoted to relations with the GCC: a new and imaginative cooperation proposal should be elaborated and put forward that goes much beyond the free trade area; representative offices must be opened also in other GCC capitals besides Riyadh; and the political profile of the relationship should be substantially increased.<sup>4</sup>

Creatively changing mind-sets and tracks could hopefully lead the two regional bodies beyond the formalities of the annual GCC-EU Joint Council meetings and their repetitive futile outcomes. While official talks continue to search for ways to overcome obstacles facing the free trade agreement, there is a need to look for other paths towards mutual cooperation.

In the final section of this chapter, this paper argues for mobilizing civil society organizations as partners in carving a complementary and hopefully more effective path for inter-regional cooperation. European and Gulf civil society organizations can play an important role in a diversity of areas including cultural, political and environmental. The chapter will conclude with a note on the role of civil society organizations in advancing institutional reforms and protection of human rights as a parallel path for inter-regional cooperation. It is suggested that one area for urgent regional cooperation is the effective protection of human

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2. Gonzalo Escribano-Francés, "An International Political Economy View of EU-GCC Partnership," (Paper presented at the "International Conference on Challenges of Economic Development for the GCC Countries," KISR, Kuwait City, January 29-31, 2005), <http://www.bilaterals.org/IMG/pdf/GCC-EU.pdf>
  3. Richard Young, "Impasse in Euro-Gulf Relations" (Working Paper 80, FRIDE publication, 2009), 9.
  4. Giacomo Luciani and Felix Neugart (eds), "The EU and the GCC: A New Partnership," Bertelsmann Group for Policy Research, Center for Applied Policy Research, Munich, 2005, [http://www.cap.lmu.de/download/2005/2005\\_GCC-EU.pdf](http://www.cap.lmu.de/download/2005/2005_GCC-EU.pdf)

rights of migrant workers in the GCC region. Civil society organizations in the GCC states could draw important lessons from the experiences of their European counterparts.

## 1. The Deadlock

One set of explanations for the lack of progress in EU-GCC relations emerges from the different ways the two regional bodies perceive themselves and how they perceive their collective histories and mandates. The GCC was formed as a joint venture for the ruling families in the Gulf region. After 28 years of existence, the GCC remains faithful to its original mission: simply put, the GCC does not perceive itself as a collective actor. Occasional squabbles among GCC rulers and inadequate levels of mutual trust contribute to its failure to become a credible regional body. It is further constrained by both its charter and structure, and it is unlikely that the GCC rulers would embark any time soon on a revision of these. Indeed, the GCC's failure to develop into a fully-fledged regional body has been noted as one of the obstacles to finalizing a collective free trade agreement with other regional bodies including the EU. From this perspective, it is possible to see how doomed the EU negotiation strategy has been. There are, of course, good reasons for European negotiators to push for an inter-regional agreement. Young suggests that European policy makers continue to justify the regional approach on three grounds:

First, that the EU does not have enough capacity to negotiate bilaterally with all GCC states. Second, that it is part of the EU's inherent and distinctive international identity that models of regional integration similar to its own should be promoted. Third, little would be gained by advancing with smaller GCC states when only Saudi Arabia really counts as an economic and geopolitical ally.<sup>5</sup>

Antkiewicz and Momani (2009) suggest that the EU Commission has sought practical and political reasons "to promote GCC integration." From the EU negotiators' perspective, the GCC intraregional integration and harmonization were preferable since the processes allowed them to deal with just one regional body instead of six entities. In 1991, the EU put the GCC's customs union as a condition for furthering talks.<sup>6</sup> Antkiewicz and Momani (2007) also suggest an additional reason for the EU's

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5. Young, *op. cit.*, 3.

6. Agata Antkiewicz and Bessma Momani, "Pursuing Geopolitical Stability through Interregional

preference for regional dealings. An enhanced relationship with the GCC, they write, would help the EU to take a more proactive role in the region, and would provide the Union with means for “counterbalancing US supremacy in the region.”<sup>7</sup>

Another explanation for the EU’s hesitancy to make foreign policy moves towards the GCC could be grouped under what Young and Echague refer to as Europe’s “strategic neglect” of the Gulf region. The Gulf was seen “as no more than a secondary sub-category of the broader Middle East rather than a region meriting its own distinct approach and set of priorities.”<sup>8</sup> The marginal position of the Gulf in European foreign policy persisted despite its economic importance as the fifth largest importer of European manufactured goods, machinery and transport materials.<sup>9</sup> However, there is a notable exception to European neglect of the Gulf. Colonial legacy has given Britain a unique position in the Gulf as it had outmaneuvered its European competitors to establish an uncontested hegemony over the region in the beginning of the 19th century. From 1810 to 1971, Pax Britannica laid the foundations of the current political formations. For 160 years, Britain firmly held the fate of the region in its hands and assumed the dual role of the ultimate protector of the local tribal chiefs as well as the arbitrator among them.

Directly linked to the legacy of British colonial rule, the US omnipresence in the Gulf and its influence on the way GCC rulers chart their policies and foreign relations are undeniable. Following Britain’s withdrawal from the Gulf in 1971, the United States stepped up to fill the vacuum. Gradually, and specially following the Islamic revolution in Iran in 1979, regional stability rested on the special relationship between the GCC member countries and the US. While occasionally marred by disagreement, this relationship has generally held firm. Maintaining the status quo has been mutually beneficial as it continues to guarantee the security objectives of both sides. Furthermore, it is generally accepted that the very survival of each of these Gulf monarchies depends on direct military and political support from the US. This was illustrated most dramatically during the 1990-1991 Gulf crisis and in the role of the US-led international coalition in liberating Kuwait.

The European strategic neglect of the Gulf region may also be related, as

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Trade: the EU’s Motives for Negotiating with the Gulf Cooperation Council,” *Journal of European Integration*, 31:2 (2009): 218.

7. *Ibid.*, 231.

8. Richard Young and Ana Echague, “Europe and the Gulf -Strategic Neglect,” *Studia Diplomatica* LX, no. 1 (2007), <http://www.frider.org/publication/127/europe-and-the-gulf-strategic-neglect>

9. Antkiewicz and Momani, *op. cit.*, 228.

Echague (2007) suggests, to the perception of the region as an American area of influence. This may partly explain why “European foreign policy towards the region has maintained low profile, focusing on economic negotiations to the detriment of political concerns.”<sup>10</sup> For its own reasons, US policies do not encourage regionalization of the GCC, and as a result, the US has refused to negotiate any collective arrangements with the GCC. Bilateral agreements between the Gulf States and the US cover a wide range of areas, including free trade agreements. Local media occasionally note official and unofficial opposition to the perceived “heavy-handed” US approach which they claim hinders the establishment of a comprehensive customs union among the GCC countries. Opponents of the bilateral FTAs with the United States claim that they were negotiated from a weak position and that they would ‘trap’ the GCC countries for 10 to 20 years.<sup>11</sup> Furthermore:

...opponents claim that bilateral FTAs undermine the 2001 GCC Economic Agreement – the precursor to the GCC joint customs union – which requires Member states to draw their policies and economic relations in a collective manner while dealing with other countries, blocs and regional groupings, as well as other regional and international organizations...<sup>12</sup>

A third set of explanations relates to the role of European and Gulf pressure groups devoted to a variety of issues ranging from the environment to human rights.<sup>13</sup> Antkiewicz and Momani (2009) identified areas where European interest groups may have exerted influence on the EU in the negotiations with the GCC: aluminum, banking, finance and investment, and petrochemicals. “Interest groups from these three sectors are in continuous contact and discussions with the Commission on the negotiations with the GCC.”<sup>14</sup> On the GCC side, skeptics complain about the EU’s insistence on including a human rights clause in the FTA draft agreement, arguing

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10. Ana Echague, “The European Union and the Gulf Cooperation Council” (Working Paper 39, FRIDE publication, 2007), 7.

11. Abbas Al Lawati, “GCC Countries ‘Rush into US Free Trade Agreements’,” *Gulf News*, October 16, 2006.

12. Linda Heard, “US Free Trade Agreements Split Arab Opinion,” *Arab News*, March 8, 2005.

13. Cf. Konstantinos D. Patlitizianas, et.al. “An Assessment of the Sustainable Energy Investments in the Framework of the EU–GCC Cooperation,” *Renewable Energy* 32 (2007): 1690.

14. Antkiewicz and Momani, op. cit., 227.

that “protectionists in the EU have used the issue of the human rights clause as a convenient cover.”<sup>15</sup>

## **2. Going Public**

There is no sign that the factors contributing to the deadlock in GCC-EU negotiations will disappear any time soon. An alternative, if only complementary, track is needed. Creative thinking on both sides and imaginative cooperation could pave the way for Gulf-EU relations to move past the present deadlock on a FTA. A possible alternative track is mobilizing the potential of civil society. A recent report notes that more than 1 million volunteers are currently involved in the activities of the thousands of civil society organizations in the GCC countries. These include women’s organizations, cooperatives, labor guilds and unions as well as professional associations.<sup>16</sup> Intermittently, calls are made to mobilize the civil society organizations to further various aspects of political and institutional reforms. However, such calls have not translated into a sustainable strategy for action. In 2008, to take a recent example, such a call was made by the participants in the “Gulf Cooperation Council Civil Society Conference” including a cross-section of academics and civil society organizations from the EU and the GCC. In their final statement, they demanded that civil society organizations should be invited to join official and informal EU-GCC meetings. The statement emphasized that “civil society in the GCC deserves better access to both formal and unofficial EU-GCC meetings and should be allowed to submit recommendations in connection with governmental level EU-GCC meetings.”<sup>17</sup> That statement, among other similar statements,<sup>18</sup> reflects some of the recent discussions on the often-marginalized role of civil society organizations in international affairs. Such a bold move towards involving civil society organizations could provide a way out of the current deadlock and present additional paths towards inter-regional cooperation. Similar moves in the past have been found necessary and effective; for example, the European

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15. Young, *op. cit.*, 7; Cf, M. alAssoumi, “The Manama Round and European Procrastination,” *Alwaqt*, August 23, 2009.

16. Abdulnabi Alekri et al., “Civil Society in the GCC Region” (paper presented at the Regional Conference on “Research on Civil Society Organizations: Status and Prospects,” organized by the Foundation for the Future, Jordan, January 26-28, 2010).

17. Bridging the Gulf, “GCC Civil Society Conference October 2008,” <http://www.bridgingthegulf.org/menu-main/news0/gcc-civil-society-conference-october-2008/conclusive-remarks/>

18. Jafar Al-Shayeb, “Overview on Human Rights Situation in GCC States,” Bridging the Gulf Briefing, Brussels, March 2, 2009.

Neighborhood Policy (ENP) offered the Mediterranean countries greater incentives to move forward with EU negotiations. The ENP included an emphasis on the role of civil society organizations in inter-regional efforts to combat trafficking in human persons, conflict prevention, promotion of human rights, and to enhance cultural and educational cooperation.<sup>19</sup> The European Mediterranean Partnership, according to Brigid Gavin, has broken new ground between the EU and the Mediterranean countries. “It has set in motion a process of inter-regional integration that has begun to open up even the most tightly closed countries in the region. And it has gained political capital for the way it has combined trade liberalization, political reform, good governance and human development in tackling the complex problem of development.”<sup>20</sup>

In addition to overcoming the current deadlock, there are several arguments for making EU-GCC cooperation a public issue rather than a state matter. An obvious argument for going public is the possibility of reducing the risk that one or more pressure groups could have undue impact on the outcome of the negotiation process. Many groups such as the petrochemical and aluminum lobbies are strongly focused on the interests of their particular sectors. Interest groups, notes Kaul,<sup>21</sup> tend to ignore the full impacts of their positions on other aspects of the EU-GCC relationship. Making political negotiation public practice entails “bringing the public, with all its different elements, together for a joint exploration of concerns, a determination of common preferences, and a fair bargain for all.”<sup>22</sup>

While “going public” is a potentially feasible way out of the deadlock, it is not an easy option. The EU has already sought to support the steps towards institutional reform taken by the GCC countries. However, these steps are limited and are not part of a comprehensive strategic undertaking to assist the region on the path of reforms. Thus, the EU continues to offer rhetorical public support for reforms, while “in private EU officials at both the Commission and Council still fret about the possible consequences of carefully controlled processes of political opening leading to a genuine democratization that allowed Islamists to assume power.”<sup>23</sup>

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19. Brigid Gavin, “The Euro-Mediterranean Partnership: An Experiment in North-South-South Integration,” *Intereconomics* (November/December 2005), 359.

20. *Ibid.*, 360.

21. Inge Kaul, “Global Public Goods: What Role for Civil Society?” *Nonprofit and Voluntary Sector Quarterly* 30, no. 3 (2001): 595.

22. Michael Edwards, “Have NGOs ‘Made a Difference?’ From Manchester to Birmingham with an ‘Elephant in the Room’” Working Paper 028, Global Poverty Research Group, 2005.

23. Ana Echague, *op. cit.*, 17.

### 3. GCC Reforms and the EU

The GCC countries could benefit greatly from EU experiences to introduce reforms and adapt to imperatives of social, economic and political changes. In the past decade, GCC states have become increasingly aware of their regimes' legitimacy problems and continue to grapple with unprecedented demands for political, judicial, and economic reforms put forward by hitherto loyal elite groups. While GCC governments and their constituents may agree on the need for institutional and constitutional reforms, they strongly disagree on the content and pace of the "package of reforms." Moreover, both sides have failed to resolve their differences partly because of the consequences of decades of misrule, the prevailing lack of mutual trust, and the vested interest of communal cleavages.<sup>24</sup>

The EU could do more to nudge their Gulf partners in the direction of implementing needed reforms. There are several areas where EU has made great strides including rule of law, religious freedoms, citizenship rights, and migrants' rights. In particular, European experiences in dealing with the consequences of segmented labor markets provide diverse lessons on the different paths to reform the GCC labor market, including provisions of institutional instruments to protect the rights of foreign labor.

### 4. The Plight of Migrants in GCC Countries

GCC member states share a number of social and economic characteristics, paramount among which is their dependency on a foreign labor force.<sup>25</sup> Oil revenues

24. Abdulhadi Khalaf and Giacomo Luciani, "Introduction" in *Constitutional Reform and Political Participation in the Gulf*, ed. Abdulhadi Khalaf and Giacomo Luciani (Dubai: Gulf Research Center, 2006), 25.

25. Percentage of Expatriates in the Population of GCC Countries, 1975-2005

Country	1975	1985	1995	2001- 2002
Bahrain	22.9	36.5	38.2	40.0
Kuwait	69.1	72.3	63.9	63.0
Oman	13.1	18.4	27.3	26.0
Qatar	56.9	52.3	70.4	72.0
Saudi Arabia	13.3	30.7	32.1	30.0
UAE	63.0	63.8	74.9	80.0

Sources: Adapted from Giovanna Tattolo, "Arab Labor Migration to the GCC States" (Working paper. Jean Monnet Observatory on trans-Mediterranean relations, 2004), <http://jmobobservatory.eco.uniroma1.it/users/wp%20work%20progress/Todisco%20movimenti%20popolazione/ARAB%20LABOR%20MIGRATION%20TO%20THE%20GCC%20STATES.doc>. I have to suggest extreme caution when dealing with these figures which are, at best, indicative. Figures are estimates and can vary in different studies (cf. Andrzej Kapiszewski, 2006),

have largely been responsible for the social and economic changes experienced by the Gulf countries during the past decades, and foreigners account for more than 70 percent of the working population. Such a dramatic shift in labor practices towards reliance on expatriate labor has been achieved through opening exchange and trade system and liberal capital flows, as well as opening borders for foreign labor. GCC countries have maintained an open-door policy to attract expatriate labor since the 1970s, and this has played an important role in the diversification of the production base and development of the service sector. The availability of imported skills at internationally competitive wages has been crucial to keeping the cost of production down. Most of the national labor force, with higher wage expectations than the expatriate workers, has been employed in the government sector. As a result, the labor market has become severely segmented<sup>26</sup> between nationals and expatriates, as well as between the public and private sectors.

Rigid segmentation is sustained by differences in wages and benefits and by the preference of GCC nationals to work for the government and public sector. Another form of segmentation is noticeable within the expatriate labor force. Westerners are located at the top of the pyramid while Asians are at the bottom. Their different positions are visible in their wages, their living conditions, their legal status and the level of legal protection they get. Within this segmentation of the labor market, many female workers from South Asia are almost always found in the informal sector working as maids at the extreme bottom of the informal wage scale. Theirs is a particularly vulnerable situation since domestic services are specifically excluded from the stipulations of labor legislations. Maids work for unspecified working hours and are often subjected to physical, psychological, and sexual abuse.<sup>27</sup>

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“Arab Versus Asian Migrant Workers in the GCC Countries – Migration and Development in the Arab Region, Population Division, Beirut, May 15-17, 2006; [http://www.un.org/esa/population/publications/EGM\\_Ittmig\\_Arab/P02\\_Kapiszewski.pdf](http://www.un.org/esa/population/publications/EGM_Ittmig_Arab/P02_Kapiszewski.pdf) \*Figures for 2005 are adapted from Maitha Shamsi, “Evaluation of Labor Migration Policies in the GCC: Lessons for the Future,” United Nations Expert Group Meeting on International Migration and Development in the Arab Region, Population Division, Beirut, May 15-17, 2006, [http://www.un.org/esa/population/publications/EGM\\_Ittmig\\_Arab/P05\\_Shamsi\(Rev\).pdf](http://www.un.org/esa/population/publications/EGM_Ittmig_Arab/P05_Shamsi(Rev).pdf)

26. Ugo Fasano and Zubair Iqbal “GCC Countries: From Oil Dependence to Diversification,” International Monetary Fund, 2003, <http://www.imf.org/external/pubs/ft/med/2003/eng/fasano/index.htm#1>

27. John Willoughby, “Ambivalent Anxieties of the South Asian-Gulf Arab Labor Exchange” (Working Papers Series, American University, Washington D.C.), <http://www.american.edu/cas/econ/workpap.htm> . Cf. Simel Esim & Monica Smith (eds). 2004) Gender And Migration In Arab States: The Case of Domestic Workers., ILO, Geneva, 2004, [http://www.iiav.nl/eublications/2004/Gender\\_and\\_migration\\_in\\_arab\\_states\\_thecase\\_of\\_domestic\\_workers.pdf](http://www.iiav.nl/eublications/2004/Gender_and_migration_in_arab_states_thecase_of_domestic_workers.pdf)

Furthermore, as Shah (2006) notes,<sup>28</sup> the abundant supply of Asian workers has resulted in stagnation and, in some cases, a decline in wages. As a result, many categories of workers find that while the cost of living has increased, their wages have remained largely the same. Additionally, an abundant supply of workers continues to be a factor in their exploitation. Shah writes of cases where employers, usually in the private sector, neglect to pay wages on time or demand excessively long hours of work without additional compensation – cases which are frequently reported in the media.

Local media sources regularly (and sometimes almost daily) carry small notices about “an expatriate male worker” or “a foreign maid” who committed suicide or a housemaid left paralyzed after jumping from a building or burning herself in an unsuccessful suicide attempt. In their despair, and because of a lack of legal protection, they discover that, despite hard work, their meager pay cannot possibly sustain them, support their families back home, or be used to pay back the money they had borrowed to pay those who organized their migration to the Gulf. In addition, some are driven to crime. Most of these personal tragedies are linked to the victims suffering from depression or despair because they saw themselves unable to overcome their deprivation despite working 12 to 16 hours a day. In their study on the United Arab Emirates, Kean & McGhehan (2008) noted that:

Suicides amongst migrant workers are acknowledged to be inordinately high. The Indian consulate did release figures on suicides showing that 67 Indians killed themselves in Dubai and the northern emirates in 2004.... Unfortunately the problem seems to be getting worse. In August 2006, the Indian ambassador to the UAE reported that 100 Indian nationals had committed suicide in the previous 12 months.”<sup>29</sup>

On the eve of its annual meeting held in Dubai in 2003, Human Rights Watch (HRW) addressed a letter to the World Bank requesting that the bank’s president James Wolfensohn intervene to alleviate the plight of expatriate workers in the

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and Human Rights Watch (2004) *Bad Dreams: Exploitation and Abuse of Migrant Workers in Saudi Arabia*, <http://www.hrw.org/en/node/11999/section/2>

28. Nasra M. Shah, “Restrictive Labour Immigration Policies in the Oil-rich Gulf: Effectiveness and Implications for Sending Asian countries” (UN expert group meeting on international migration and development in the Arab region, May 15-17, 2006).

29. David Keane and Nicholas McGeehan, “Enforcing Migrant Workers’ Rights in the United Arab Emirates,” *International Journal on Minority and Group Rights* 15 (2008): 93.

Gulf.<sup>30</sup> The unprecedented letter expressed some of the concerns regarding the increasingly worsening situation for millions of expatriates, noting that while migrant workers in the Gulf make important contributions to the economic growth and social development in their home countries and in the societies in which they work, they continue to endure various forms of discrimination, exploitation and abuse. In addition to intimidation and violence, female migrants employed as domestic servants are victims of sexual assault at the hands of employers, supervisors, sponsors and officials.

In the following year, HRW published *Bad Dreams: Exploitation and Abuse of Migrant Workers in Saudi Arabia*, the first comprehensive examination of the plight of expatriate labor in the country. Stories told by migrants in that report shed light not only on the conditions of Saudi Arabia but also on the experiences and traumas of migrants in other GCC countries as well. They also showed how government authorities and private employers work in harmony to further the exploitation and suffering of these workers “without respect for the rule of law and the inherent dignity of all men and women, irrespective of gender, race, and religion.”<sup>31</sup>

Hope has been manifested in the recent rise of labor activism among migrant workers in the Gulf. Shah (2006)<sup>32</sup> writes of:

a demonstration by some 1000 Bangladeshi workers who protested outside the Bangladeshi Embassy in Kuwait on April 24, 2005, with the protest becoming violent and catching a great deal of media attention. The reason for the protest was the non-payment of salaries for 5 months by the cleaning company where they worked (Agence France Presse, May 4, 2005). On March 21, 2006, construction workers in Dubai smashed cars and offices in a riot by workers building the Burj Dubai tower, planned as the world’s tallest skyscraper. There is a growing unrest on account of low salaries and poor working conditions among foreign workers who are the linchpin of Dubai’s spectacular building boom.

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30. Human Rights Watch, “Support Migrants’ Rights - A Letter to World Bank President James Wolfensohn on Eve of Annual Meetings,” September 18, 2003, <http://www.hrw.org/press/2003/09/migrant091803-ltr.htm>

31. Human Rights Watch, *Bad Dreams: Exploitation and Abuse of Migrant Workers in Saudi Arabia*, <http://www.hrw.org/en/reports/2004/07/13/bad-dreams>

32. Shah, “Restrictive Labour Immigration Policies in the Oil-rich Gulf: Effectiveness and Implications for Sending Asian countries” op. cit.

One can only speculate about the effects of other similar endeavors to raise international concern regarding the fate of migrant workers in GCC countries. Such activism seems to have encouraged further developments which can provide grounds for optimism. While these signs are encouraging, they do not mean an end to the misery of the exploited, underpaid, sexually abused or dehumanised millions of expatriate workers in the GCC. However, these developments, if sustained, can provide hope to those expatriates and others who are concerned about human rights. To sustain these developments and bring the current mobilization to positive fruition, civil society organizations in GCC countries should be strengthened by different means including by making them legitimate partners in EU-GCC future cooperation.

In July 2007, a strike by workers at a Dubai gas processing plant ended when the government sent in the armed forces. According to a report by Jean Shaoul, thousands of foreign construction workers in Dubai ignored the threat of deportation and took to the streets to demand higher pay, more allowances for overtime work, better living conditions and transport to their place of work. It was reported that:

Riot police were immediately deployed and a helicopter from Dubai police circled overhead to monitor the strikers' movements. More than 4,000 workers were jailed and were only released last Wednesday after Indian embassy officials negotiated the release of those who were not involved in violence. 800 remain in jail while 159 face deportation.<sup>33</sup>

Against this background, the growing role of international agencies and civil society organizations is heartening. Many of them have started to voice their concerns publicly over the plight of migrant workers in the GCC countries and the lack of institutional safeguards to protect their rights and to redress abuse. For example, HRW requested that the EU as well as other countries negotiating free trade agreements with the UAE should urge the country to protect workers' rights, as they negotiate these agreements. More specifically, HRW recommended these countries to:

condition the ratification of free trade agreements with the government of the UAE on improved protection for workers' rights. In particular, insist that prior

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33. Jean Shaoul, "The Plight of the UAE's Migrant Workers: the Flipside of a Booming Economy," World Socialist Web Site, 2007, <http://www.wsws.org/articles/2007/nov2007/duba-n09.shtml>

to adoption of the accords, the UAE reform its labour laws to bring them into compliance with international workers' rights standards, including by explicitly and fully protecting workers' right to organize, bargain collectively, and strike. Further require that, before ratification of the agreements, the UAE also take the steps necessary to effectively enforce its labour laws, including by adopting a minimum wage provision and following the other recommendations for improved enforcement set forth above. 2) Include in free trade agreements with the government of the UAE strong, binding, and enforceable workers' rights provisions that require that labour laws conform with international standards and that the parties effectively enforce those labour laws.<sup>34</sup>

## Conclusion

Lessons learnt from the past two decades of fruitless EU-GCC negotiations provide little room for optimism. Yet it is possible to move beyond the current deadlock through mobilizing civil society organizations in both regions. While much weaker and less experienced than their European counterparts, GCC civil society organizations could play an important role in reducing the political-culture gap between the two regions. Inter-regional cooperation among civil society organizations may not be the magic key that will open all the closed doors between Europe and the Gulf. However, the active involvement of European and Gulf civil society actors will help move GCC-EU relations beyond the hitherto futile annual meetings of the GCC-EU Joint Council.

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34. Human Rights Watch, "Building Towers, Cheating Workers Exploitation of Migrant Construction Workers in the United Arab Emirates", Volume 18, no. 8, (November 2006), <http://www.hrw.org/reports/2006/uae1106/uae1106webwcover.pdf>



## About the Contributors

**Dr. Abdulrahman M. Abouammoh** is Professor at the Department of Statistic and Operations Research at King Saud University in Riyadh, Saudi Arabia. Since 2002, he is a senior researcher at the Center for Higher Education Research and Studies (CHERS) within the Ministry of Higher Education of Saudi Arabia. Prior to this, he was the Dean of the College of Science for three years as well as a Member of the Shura Council in Saudi Arabia for the term starting in 1998. Dr. Abouammoh has served in the past as an advisor to different government departments in Saudi Arabia including: Unit for Experts at the Saudi Council of Ministers, King Abdulaziz City for Science and Technology (KACST), Ministry of Health, the Civil Defense Authority, and the National Information Center and Investigation and Prosecuting Commission. He was a member of the Saudi delegation to the EU-GCC meeting in Brussels in October 2008 for cooperation on higher education. Dr. Abouammoh was also a member of the (Saudi) Comprehensive Evaluation Team for Education formed by King Abdullah in 1999, and the Supervising Committee of the Afaaq Project, the Saudi Higher Education long-term strategic plan of 2006. He is a member of the Strategic Planning Committee for King Saud University since 2008, a member of the council for the Saudi National Commission for Assessment and Academic Accreditation (NCAAA) for two terms, starting 2004 and the chairman for the Advisory Committee for Nominating the Deans (ACND) at King Saud University since 2008. Dr Abouammoh has participated in many national and international meetings, workshops and conferences organized by the UNESCO, OECD, the Gulf Cooperation Council (GCC) General Secretariat and other higher education agencies. His main interests are internationalization of higher education and the impact of higher education on society.

**Dr. Mehmet Asutay** is a Lecturer in Political Economy (with special reference

to Middle East and Islamic Political Economy and Finance) at the School of Government and International Affairs, Durham University. He teaches and supervises masters and doctoral research on various aspects of Islamic economics, banking and finance; economies of the Middle East and the Muslim countries; and political economy and economic development related subjects. He is the co-director of the Durham Islamic Finance Programme; and the Course Director of the MA/MSc in Islamic Finance; and the Durham Islamic Finance Summer School. He is the Managing Editor of *Review of Islamic Economics*, a leading academic journal in the field, and the Associate Editor of the *American Journal of Islamic Social Sciences*. He has published articles and books on Islamic economics and finance, and Turkish and Middle East political economy related issues.

**Dr. Christopher Davidson** is a senior lecturer at Durham University's School of Government and International Affairs. He is also a fellow of the United Kingdom's Higher Education Academy, a fellow of the European Centre for International Affairs, and a United Nations Alliance of Civilizations listed expert. He is the author of four single authored books: *The Persian Gulf and Pacific Asia: Towards Interdependence* (Columbia UP, 2010); *Abu Dhabi: Oil and Beyond* (Columbia UP, 2009), *Dubai: The Vulnerability of Success* (Columbia UP, 2008); and *The United Arab Emirates: A Study in Survival* (Rienner, 2005). He is also the author of several academic journal articles which have appeared inter alia in the *British Journal of Middle Eastern Studies*, *Middle East Policy*, *Asian Affairs*, and *Middle Eastern Studies*. In 2008, his book *Dubai: The Vulnerability of Success* was named a book of the year by both the *New Statesman* and the *London Evening Standard*.

**Prof. Anoush Ehteshami** is Dean of Internationalisation at Durham University and Professor of International Relations in the School of Government and International Affairs. He was Head of the School of Government and International Affairs at Durham University (2004-9) and is a Fellow of the World Economic Forum. He was Vice-President and Chair of Council of the British Society for Middle Eastern Studies (BRISMES) from 2000-2003. His many book-length publications include: *Competing Powerbrokers of the Middle East: Iran and Saudi Arabia* (Emirates Occasional Papers Series), (Abu Dhabi: Emirates Center for Strategic Studies and Research), *Reform in the Middle East Oil Monarchies* (co-editor) (Reading: Ithaca Press, 2008), *Globalization and Geopolitics in the Middle East: Old Games, New Rules* (New York: Routledge, 2007), *Iran and the Rise of its Neoconservatives* (with Mahjoob Zweiri) (London: I.B. Tauris, 2007), *The Middle East's Relations with Asia and Russia* (co-editor) (London: RoutledgeCurzon, 2004), *The Foreign Policies of Middle East States* (co-editor) (Boulder, CO: Lynne Rienner,

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**Dr. Abdulhadi Khalaf** is Senior Researcher at the Department of Sociology and the Center for Middle Eastern Studies at the University of Lund, Sweden. After getting his Ph.D. in 1972, he was elected as a member of Bahrain's parliament in 1973-4. He has worked as a senior researcher and consultant at Team International, Beirut; the Arab Development Institute; and the United Nations Economic and Social Commission for West Asia (UN-ESCWA). His current research project focuses on conditions of migrant workers in the Arab Gulf States. His published books in Arabic include *Conditions and Needs of Working Women in Bahrain* (1983); *Civil Resistance* (1986) and *State-Building in Bahrain* (2004).

**Prof. Ebtisam Al-Kitbi** is assistant professor of Political Science at the Faculty of Human and Social Sciences, UAE University. She attained her Ph.D. in Political Science at the Faculty of Economics and Political Sciences, Cairo University. She is a Board member of the Arabic Society for Political Science and also a member of the Gulf Development Forum; member of the consultative body of the Arabic Thought Institution; member of the Board of Trustees of Arabic Organization for Transparency, Center for Arabic Union Studies, and the Arabic Council for Social Studies. She served as a member of the consultative committee of the UAE Center for Strategic Studies, director of woman's program in the Gulf Research Center 2005 and member of the core team of the Arabic Human Development Report 2006. She has published a number of papers including *Women's Issues in the GCC Countries*; *Women's Political Status in the GCC States*; *The Security Dimensions of Military Relations between GCC Countries and USA*; *The Global Community and the War on Terrorism: Threat or Opportunity?*; *Democratic Transformations in GCC Countries*; and *Citizenship Concept in the GCC Countries*.

**Dr. Christian Koch** is the Director of International Studies at the Gulf Research Center located in Dubai, UAE. His work combines the various international and foreign relations issues of the GCC states with a particular interest in GCC-

EU Relations. He currently manages a two-year project named “Al-Jisr” pertaining to GCC-EU Public Diplomacy and Outreach Activities with the support of the European Commission. Prior to joining the GRC, Dr. Koch worked as Head of the Strategic Studies Section at the Emirates Center for Strategic Studies and Research, Abu Dhabi. Dr. Koch received his Ph.D. from the University of Erlangen-Nürnberg, Germany and also studied at the American University in Washington, D.C. and the University of South Carolina. He is the author of *Politische Entwicklung in einem arabischen Golfstaat: Die Rolle von Interessengruppen im Emirat Kuwait* (Berlin: Klaus Schwarz Verlag, 2000), the editor of five books including *Broadening the Horizon: European Union - Gulf Cooperation Council Relations and Security Issues* (Dubai: Gulf Research Center, 2008) and *Gulf Security in the Twenty-First Century* (Abu Dhabi: ECSSR, 1997 – co-editor) as well as a contributor to numerous books with the latest being “US-UAE Relations,” in Robert Looney, ed., *A Handbook of US-Middle East Relations* (Routledge, 2009). Dr. Koch also collaborated on the World Economic Forum’s Middle East@Risk report in 2007. He regularly writes articles on Gulf issues for the international media including the *Financial Times*, *Handelsblatt*, *die Süddeutsche Zeitung*, Jane’s Sentinel Publications and he has appeared on the BBC, Deutsche Welle and Al-Arabiyya television. In January 2007, he joined the advisory board of the German Orient Foundation.

**Prof. Saleh A. Al-Mani** is King Faisal Professor of International Studies at the King Saud University in Riyadh, Saudi Arabia. He previously served as Dean of the Faculty of Administrative Sciences at King Saud University. His areas of expertise include the EU, theories and research methodologies in international relations, the Middle East, and political economies. He also works as a political consultant and does research on Iran, Iraq and Gulf security. His publications include the book *The Euro-Arab Dialogue: A Study in Associative Diplomacy* (London: Frances Pinter, New York: St. Martins Press, 1984), numerous articles as well as weekly columns for the Saudi *Okaz* newspaper and *Al-Ittihad* of Abu Dhabi. He received a B.A. in political science from the University of California in 1973, a Master’s degree in political science from the University of California in 1976 and a Ph.D. with honors in international relations from the University of Southern California in 1981.

**Prof. Leif Stenberg** received a Ph.D. in Islamic Studies from Lund University, Sweden in 1996 with the publication of his award winning thesis *The Islamization of Science: Four Muslim Positions Developing an Islamic Modernity*. From 1997 until 1999, he was a Visiting Scholar at the Center for Middle Eastern Studies at Harvard University. The following year, 1999-2000, Stenberg was a visiting scholar at the Institut Français d’Études Arabes de Damas (IFEAD) in Damascus, Syria.

Since 2001, he has held a position at Lund University in Islamology and became an Associate Professor in 2003. Currently, he is the director of Islamology at Lund University and the supervisor of six Ph.D projects. In 2004, Stenberg co-edited *Globalization and the Muslim World: Culture, Religion and Modernity* (published by Syracuse University Press) and recently he co-edited *Sufism Today* (published by IB Tauris in 2008). In 2007, Stenberg was appointed director of the Center for Middle Eastern Studies at Lund University.



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Gulf Research Center  
187 Oud Metha Tower, 11th Floor  
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P.O.Box : 80758, Dubai, UAE.  
Tel. No : +971 4 324 7770  
Fax. No : +971 4 324 7771  
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