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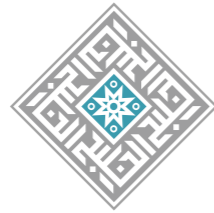
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## Need for UN Resolution to End External Intervention in Iraq

### Abdulaziz Sager

Amid the spiraling violence in Iraq and intense efforts to achieve a semblance of stability, Iranian President Mahmud Ahmadinejad met Iraqi Prime Minister Nouri Al-Maliki in Tehran in September, and said: "Strengthening the Iraqi government is strengthening security, peace and brotherhood in Iraq." Behind these diplomatic niceties, however, was a stern Iraqi message, which was revealed after the meeting by Iraqi Foreign Minister Hoshiyar Zebari: "Prime Minister Al-Maliki was accompanied by a delegation specialized in security affairs. They took files, information, and evidence, and made a clear request to end the Iranian interference in the Iraqi security affairs."

A week later, the interior ministers of Iraq's neighboring countries met for the third time since the ouster of Saddam Hussein. As a follow-up to their meetings in Iran in December 2004 and in Turkey in August 2005, the ministers from Turkey, Syria, Jordan, Saudi Arabia, Kuwait, and Iran, as well as Egypt and Bahrain pledged in Jeddah to help boost security along their borders to prevent terrorist infiltration into Iraq. Like the other meetings, the discussions here too focused on Iraq's political independence, territorial integrity and national solidarity. Other issues related to mutual cooperation on border security, smuggling of goods and weapons, combating narcotics and preventing capital flow for terrorist activities were deliberated upon. However, these meetings have made very little positive difference on the ground. The decisions reached

at such meetings may be considered no more than a show of solidarity since they are neither legally binding nor accompanied by an enforcement mechanism.

Moreover, several of Iraq's neighbors have ideological differences with the United States, which is the principal security guarantor in Iraq and the region. This encourages them to precipitate any crisis that leaves the United States and its mission sullied. While Iran and Syria fit this bill closely, Turkey is driven more by self interest than ideology. Turkey's own Kurdish question and its link to Iraq have rendered Ankara diplomatically less proactive in its own neighborhood than in its efforts at gaining the European Union membership. However, the threat of Turkish forces crossing the Iraqi border in pursuit of Kurdistan Workers Party guerillas is real and could create chaos and further destabilize the region. Further, this situation could exacerbate if Kurdish moves toward independence inside Iraq intensify.

Iran's interventionist policy in Iraq has a long history. Tehran's objective to influence developments in Iraq is motivated by a number of strategic factors, as well as cultural and religious interests. The history of the two countries has been characterized by a permanent state of rivalry. Recent evidence points to Iran inciting Muqtada Al-Sadr's Mahdi Army, facilitating the movement of extremist groups such as Ansar Al-Islam, and supporting three dominant parties in the United Iraqi Alliance, which have links with Tehran – the Supreme

Council for the Islamic Revolution in Iraq, Al-Dawa and Al-Dawa-Tanzim Al-Iraq. Thus, despite US forces occupying the country, Iran's interventionist policies have substantial influence over developments in present-day Iraq.

Though Iran has denied any negative influence in Iraq, it has been accused by a cross-section of countries of aiding the flow of people, money and weapons, as well as meddling in Iraq's political life.

Speaking at the Council on Foreign Relations in the United States in September 2005, Saudi Foreign Minister Prince Saud Al-Faisal said, "...they (Iranian officials) go into every government of Iraq, pay money, install their own people ... even establish police forces for them, (provide) arms and militias ... and reinforce their presence in these areas (southern Iraq).

Violence in Iraq continues unabated. Car bombing in Baghdad, October 2006



Earlier this August, US President George W. Bush stated: "The Iranian regime interferes in Iraq by sponsoring terrorists and insurgents, empowering unlawful militias, and supplying components for improvised explosive devices."

Iraqi government spokesman Ali Al-Dabbagh endorsed this view in September: "We want to pass a message to the Iranian leaders that Iraq needs good relations with neighboring countries, without interference in our internal affairs... We understand that the violence in Iraq is being fed and financed by others. Some of them are countries, some are groups... We'd like neighboring countries to share in stopping such things coming to Iraq."

As the ground realities in Iraq deteriorate, with at least 44,000 Iraqis killed since 2003, and as the country heads toward a potential civil war, the anxieties of the war-torn country's neighbors heighten about possible repercussions in their own territories. There is little doubt among most governments in the region that Iran's influence in Iraq is the key difference between status quo and improvement. Thus, the

An Iraqi protester holding up a poster of late Ayatollahs Mohammed Baqer al-Sadr, Ruhollah Khomeini and Mohammed Sadek al-Sadr



most constructive offer that Iran can make at this stage is not by lending a proactive hand, but by not extending a hand at all. The magic potion that Iraq urgently needs is an immediate end to Iran's interference.

In such a scenario, it is worth pondering how the international community can change tack and attempt at deriving a mechanism to force Iran to stay clear of Iraq's domestic affairs. This effort could take the shape of a resolution under the auspices of the United Nations. Article 2, Paragraph 7 of the United Nations Charter prohibits intervention in the internal affairs of other countries unless authorized by the United Nations Security Council. It states that: "Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter ...."

Though the 1965 United Nations General Assembly Resolution 2131(XX) entitled 'Declaration on the Inadmissibility of Intervention in the Domestic Affairs of States and the Protection of Their Independence and Sovereignty' is not legally binding, it states explicitly that, "No State has the right to intervene, directly or indirectly, for any reason whatever, in the internal or external affairs of any other State. Consequently, armed intervention and all other forms of interference or attempted threats against the personality of the State or against its political, economic and cultural elements, are condemned."

While there are no clear precedents of United Nations resolutions dealing with cases that might be identical to the Iran-Iraq scenario, there have been a number of resolutions condemning

occupation/aggression such as that of Kuwait by Iraq, or Bosnia by the Federation of Yugoslavia. In the case of Afghanistan, a draft resolution which deplored the intervention of the erstwhile Soviet Union and called for the withdrawal of its troops was vetoed by the Soviets. However, a 1980 General Assembly resolution reaffirmed that "respect for the sovereignty, territorial integrity and political independence of every state is a fundamental principle of the Charter" and strongly deplored "armed intervention in Afghanistan". The resolution appealed to all states "to refrain from any interference in the internal affairs of that country..."

Any proposed resolution could also borrow some elements of the United Nations Security Council Resolution 1559 adopted in 2004. While this resolution called upon Lebanon to establish its sovereignty over all of its land and called upon "foreign forces" (referring to Syria) to withdraw from Lebanon, it also sought an end to intervention in the internal politics of Lebanon. The latter half of this resolution is certainly valid while seeking to prohibit Iran's interference in Iraq's internal affairs.

It is high time that the veil of secrecy surrounding certain neighboring countries' intervention in Iraq is lifted. At the same time, the Iraqi government should be empowered with the help of a United Nations Security Council mechanism that would compel Iran to submit a periodic report detailing its disengagement. It appears that while the hopes of a united Iraq may be fading in the midst of worsening sectarian strife, the only hands-on plan that is likely to pressure Iran to climb down is a UN resolution that is timely enacted and effectively implemented.

*Abdulaziz Sager is the Chairman of the Gulf Research Center.*

# Why Yemen's GCC Membership Poses a Challenge

## Nicole Stracke

Yemen's political landscape, when compared to that of other Arab countries, is often described as a "democratic multiparty system" that includes a parliament, trade unions, political parties, civil society institutions and a 'liberal press.' While this might indeed be the case, it is doubtful that the same 'democratic system' which produced another victory for President Saleh in the September elections is going to solve the structural problems the country is faced with. Given the fact that Yemen is seeking membership in the GCC, these problems not only constitute a challenge to the state and the Yemeni society but also impact on the security of the entire GCC region.

## Political Challenges and Security Implications

The GCC leadership perceives Yemen as an 'unstable state.' The country has a complex governing structure with multiple power centers. An important component is the strategic alliance between the government and key members of the Islah party, security forces, tribal federations and tribal leaders such as Sheikh Abdullah al-Ahmar who is parliamentary speaker, head of the tribal Hashid federation and the Islah party. Sheikh Ahmar holds key positions in both tribal and state institutions. He is an example of some Yemeni politicians who, while occupying several positions, make it difficult for observers to determine where their loyalties and preferences lie, and whether they consider first, the interests of the extended family,

tribe, government or the army. The complexity of Yemeni politics and its implications for security can be gauged from the incident of 23 suspected al-Qaeda prisoners escaping from the high security prison in Sana'a in February 2006. It is not only that the prisoners had to have support from outside the prison to undertake such an escape. The fact that two of these prisoners then appeared as suicide bombers in the September attacks on oil facilities in Marib and Hadramaut leads to the question: where did these two escapees hide over the seven months? With speculation raging, two assumptions can be made – first, the government and army lack the authority to control the movements of militant Islamists in Yemen and cannot assure the loyalty of key allies; secondly, the government is not strong enough to bargain with its tribal or conservative allies to find the Islamists, and prevent them from carrying out attacks. In any case, the government is in a weak bargaining position vis-a-vis tribal leaders and Islamic groups. That certainly leads the GCC leadership to doubt whether the Yemeni government can control its internal security, army and tribes. It also makes them take another look at what the security implications for the GCC states might be if the Yemeni government fails again to effectively protect its internal security.

The government policy follows a 'divide and impere' approach based on alliances among key members in tribal and state institutions such as senior army officers, members of security forces, and leading politicians. As a result, many decisions made by

the government have to be negotiated in advance with those key allies. This can turn out to be difficult since it is a challenge for the Yemeni government to appease its allies and maneuver among the conflicting interests of each power center. At the same time, the government has difficulties in giving security guarantees that its allies will stick to the negotiated outcomes, agreements and its implications. For example, negotiations about regulating the border between Saudi Arabia and Yemen went on for years before the Jeddah agreement was reached in 2000. For a long time, it had seemed impossible for the Yemeni government to enter into border negotiations with

Saudi Arabia. The government lacks authority in some northern tribal areas such as Sa'ada or Jawf, which made it difficult not only to start negotiations but also give security guarantees to Saudi authorities. On the other hand, the government occasionally uses the complexity of policy-making and the influence of tribes on decision-making as a shield to hide behind, claiming to be not responsible if a decision taken could not be implemented or if a signed agreement failed.

GCC leaders are also concerned about what they perceive as uncertainty about the leadership succession issue. While all the GCC states, with the exception of Oman, are hereditary monarchies and succession to the throne is institutionalized and secured, the GCC leaders do believe that the succession issue could cause instability in Yemen and even turn into civil

war in case Saleh suddenly disappears from the scene or is unable to fulfill the responsibilities of state affairs. Although Yemen has a constitutional succession process detailed in Article 115 allowing for a transfer of power to the vice-president, who will run the country for 60 days until new elections are held, it is assumed that different power centers – tribes, the army and parties like General People's Congress, Islah, Yemen and Socialist Party – will compete to appoint their favorite candidate for the next presidency. President Saleh has strategically placed his favorite successor candidate, his son Ahmed Ali Abdullah Saleh, appointing him Commander of the Republican Guards and Commander of the Special Forces, and carefully preparing the Yemeni public for his candidacy. However, Ahmed Saleh does not have the public support his father enjoys, and there is

no guarantee of a smooth transfer of power. During the September elections, a political activist pointed out in an interview, "Even if (the opposition candidate) bin Shamlan wins, he does not have the money and the power to corrupt the army and tribal leaders. The army is behind Saleh and even if Saleh agrees to a transfer of power, the army would not stand behind a president from the south. A Shamlan victory would most likely lead to a civil war." The statement reflects the complexity of the Yemeni decision-making process; it demonstrates the limits of the presidential influence, the role of personality cult in the state's affairs and underlines the threat perception of the GCC states which consider the succession issue as an instability factor for the state and the region.

## Security Challenges: Terrorism and Smuggling

Terrorism, illegal immigrants, and the smuggling of drugs, weapons, and explosives through the Omani and Saudi borders, are among the major security concerns for the GCC states.

During a period of eight months between February and September 2005, over half a million illegal immigrants (545,384 according to official Saudi statistics) were caught trying to cross the border from Yemen illegally. It cannot be stated with certainty that some of the immigrants who illegally cross the border do not have links to militant Islamist and terrorist activities. Several incidents in the past have underlined the links between militant Islamists in Saudi Arabia and Yemen, and indicated that terrorism does not stop at the states' borders. Terror attacks in Yemen, such as on the USS Cole in October 2000 and the French oil tanker Limburg in October 2002, and the capture of a number of Saudi terrorists hiding in Yemen, gives the

Elections 2006 in Sana'a (Photo: Uwe Kessler)



Saudis the impression of Yemen being a safe haven for terrorists. There are strong links between Yemen and some Saudis who are suspected of being terrorists or involved in terror attacks such as Hamdi Sadiq al Ahdal, a Saudi who was accused of being involved in attacks on USS Cole and Limburg or Fawaz Yahya al Rabi'i who was put on a FBI wanted list for terror suspects in February 2002 and later killed by Yemen's security forces in October 2006. Repeatedly, the Saudi security services have also arrested Yemenis under suspicion of being members of al Qaeda and handed them to the Yemeni authorities as part of the security cooperation agreement signed between the two states in 2003. Nine of the 23 prisoners involved in the prison breakout in February 2006 from the main security prison in Sana'a were originally arrested by Saudi authorities inside the Kingdom.

Saudi authorities also believe that arms, weapons and explosives used in terror attacks in the Kingdom were smuggled from Yemen. Between February and September 2005 alone, the security forces confiscated 599 Kalashnikovs on the Yemeni-Saudi border. Following the terror attack on the US consulate in Jeddah 2004, the Saudi security forces confiscated two AK 47s and traced their origin back to the Yemeni interior ministry. The Saudi authorities took that incident, along with other examples, as proof that weapons and explosives smuggled in from Yemen constitute a direct threat to Saudi security. Even though the security situation on the border improved after Yemen and Saudi Arabia signed the border agreement in 2000, the inability of the Yemeni authorities to capture the escaped prisoners and prevent ongoing tribal clashes, kidnapping and smuggling in the border areas

frustrated the Saudi authorities who, in 2004, attempted to build a fence to protect the country's borders from the "smugglers and militant Islamist extremists" coming from Yemen.

### Socio-Economic Challenges

Political and security challenges apart, the GCC leaders perceive Yemen as being economically unstable. Indicators show that Yemen has one of the lowest GDPs in the Arab world (\$889), a rising consumer price and inflation rate (12.4 percent) corresponding with a fluctuating currency (Economic Intelligence Unit, 2006). Almost 90 percent of earnings and around 70 percent of government revenue comes from oil production (EIU). But given the fact that oil production is in decline due to dwindling resources, the reduction of government revenues is inevitable and a major decline in government investments is likely in future. In addition, high corruption levels and lack of law enforcement constitute high risks for GCC and foreign companies who wish to invest in Yemen's development projects. Over the past 10 years, Yemen has started to improve its non-oil sector and improved the basic infrastructure – schools, hospitals, roads, electricity and water access, and communication channels, all necessary to improve economic performance. However, in most parts of Yemen, the economic institutions and basic services infrastructure are still underdeveloped and insufficient to attract investors.

The low economic performance corresponds to a number of socio-economic challenges which the Yemeni government is unable to tackle, among them population growth and a lack of education. According to a report of the United Nations Population Division, Yemen's population will

rise from 18,348 million in 2000 to 102,379 million in 2050, placing the country in the 18th position, after the Russian Federation. The EIU report states that 47 percent of the population is under the age of 15, implying that the government has to deal with 25,000 new job-seekers entering the labor market each year. The country's labor market is not even able to absorb the current number of unemployed people. The unemployment rate is estimated at between 20 and 40 percent.

Yemeni Premier Abdel Kader Bajammal at a GCC meeting in Sana'a, November 2006



At the 22nd GCC summit in Muscat in December 2002, the leaders adopted a resolution calling on all member states for the equal treatment of all GCC labor. If Yemen becomes a full member of the GCC, the Yemeni labor force will enjoy the full legal rights of a GCC citizen, including the right to seek employment in other GCC states, and the right of equal payment. But, the GCC leadership is concerned that if Yemen becomes a member, it will result in the mass migration of low skilled Yemeni workers looking for a job and higher living standards in other GCC states. Plus, the low paid sectors in the GCC states are occupied by millions of Indian and Pakistani workers which will make it difficult

for Yemenis to find employment and the GCC labor market could find it difficult to absorb incoming Yemeni workers.

The GCC states are alert to Yemen's political and socio-economic challenges, and they are aware that the problems are structural and cannot be solved by solely changing the president. On the one hand, the GCC leaders are frustrated with the Yemeni leadership's increasingly poor performance and inability to tackle the country's problems. Indeed, the

The GCC states cannot ignore the security and strategic aspects of closer relations with Yemen, especially as illegal immigrants, job seekers and terrorism do not stop at that country's borders but, in the long run, have the potential to develop into a threat to the stability of the GCC region

government does not have much to show; the last 20 years of oil production have hardly improved the living conditions of the Yemeni people, and the IMF and World Bank announced a reduction in financial aid to Yemen by one third during the period July 2005 through 2008 because of the failure of the government to implement significant reforms. During an interview in al Hayat on October 9, however, the Yemeni Minister of Planning and International Cooperation Abdul-Kareem al-Arhabi referred to the GCC initiative adopted in 2005 to re-negotiate Yemen's membership in the year 2015 and stated that the country would work on closing the economic and social gap that exists between Yemen and the GCC and

make it eligible for membership. The Yemeni minister further commented that in order to meet the membership qualification, during the next five years, Yemen would need about \$25 billion to improve economic performance and for restructuring. The minister pointed that while \$15 billion could come from Yemen's economic revenues, he was looking to the main donor states like the US, Japan, GCC and EU, in particular Germany, for financial support amounting to about \$10 billion.

The GCC states cannot ignore the security and strategic aspects of closer relations with Yemen, especially as illegal immigrants, job seekers and terrorism do not stop at that country's borders but, in the long run, have the potential to develop into a threat to the stability of the GCC region. It is in this context, that most of the GCC states put their differences with Yemen aside and started bilateral cooperation. Saudi Arabia settled its border disputes with Yemen in 2000, and in 2003, both countries signed a security agreement focusing on hard and soft security, counter terrorism and border security. In June 2006, the Yemeni and Saudi governments signed two loan agreements to finance road building, two of them in the northern province Sa'ada, costing SR116 million. An additional agreement with Saudi Arabia was signed to implement a number of electricity projects, for which SR 375 million was allocated. Both projects are expected to foster the development of the basic infrastructure in Yemen, which, in turn, is necessary to improve the security and investment climate.

Bahrain and Oman signed agreements with Yemen on security cooperation and intelligence sharing, and even Kuwait, the country's most

severe critic, renewed its financial aid, and reopened its embassy in Sana'a. In 2002, Yemen became a member in the GCC sections for health, sport, education and social affairs, reflecting the organization's seriousness in negotiating Yemen's membership.

Taken as a whole, the time seems ideal for Yemen to approach the GCC and be part of a multilateral structure within the organization. After Saudi Arabia and Yemen settled their border issue and established security cooperation, the former is gradually removing its traditional veto against Yemen's endeavor to become a full member of the GCC. During recent GCC summits, Saudi King Abdullah has been sending positive signals to Yemen in that respect. Iraq's instability and the threat of a civil war are causing concern among the GCC leadership about Iran's interventionist policy and support for radical Shia groups in Bahrain, Kuwait and Saudi Arabia. Iran's confrontational rhetoric towards Israel and the US lead to the fear of a US attack in the region that may have a destabilizing impact on all GCC states. And the Iranian nuclear program and uranium enrichment project is perceived by the GCC leadership as a long term threat to the region since Iran would have the potential to build weapons of mass destruction which would give it a strategic advantage. Since last year, the GCC governments are discussing the idea of establishing a Gulf WMD Free Zone and including Yemeni officials in the discussion, thus giving them the signal to initiate the integration of Yemen into the overall GCC security structure.

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## The Gulf and a New Age of Petrodollar Recycling

**Dr. Eckart Woertz**

It is widely acknowledged that oil is indispensable for the world economy and the Gulf countries thus have an important role to play. Less well known is that they are once again crucial to finance imbalances in the global economic system, namely the US current account deficit. With oil prices hovering around \$70, the dire years of low oil prices and deficits that characterized most of the 1980s and 1990s are a thing of the past for the Gulf countries; petrodollar recycling is firmly back on the agenda. The magnitudes and stakes are even higher than in the 1970s, when oil exporting countries were courted by states and banks from the Western world to invest their oil windfall profits in their markets, in order to manage the massive current account balances that had arisen from the tectonic shift in the world oil market. At the same time, the emergence of a highly diversified financial industry (e.g. hedge funds, derivative markets), the advent of the euro and the development of a more diversified regional economy have led to scenarios and options that differ considerably from the situation in the 1970s.

The US current account deficit, now over \$800 billion, constitutes a massive imbalance in the world economy and has somehow spiraled out of control – it is a bubble too high to be redressed orderly and too dangerous to be lanced. To keep on going, the US currently needs to attract more

than 80 percent of worldwide savings to finance its current account deficit. On the other end, net oil revenues of all oil exporting countries have been over \$650 billion in 2005,<sup>1</sup> their accumulated current account surplus in 2005 amounted to 41 percent of the current account deficit of the US, only slightly behind Asia, which made up 47 percent of the US deficit. With continuously high oil prices, this order of magnitude is set to reverse in 2006 with the oil exporters making up for 46 percent and Asia coming in as second with 41 percent.<sup>2</sup>

The situation is highly reminiscent of the 1970s. After the oil shock, the OPEC countries were awash with cash and were obvious candidates to balance the US deficit. Saudi Arabia, in particular, was courted by the US administration to buy US securities, and was given special tranches of treasury bills that did not go through the normal competitive auctioning process. In the 1980s, low oil prices made the current account surpluses of OPEC countries a thing of the past, and Germany and Japan stepped into the gap, with the latter obtaining the special tranches that Saudi Arabia had received in the 1970s. With German reunification and Japan's recession, US financiers changed once again, as the role was partly taken up by China and other emerging markets. Recently, with the resurgence in oil prices, the oil exporting countries have become, once again, an important part of the equation.

The flow of petrodollars has become more difficult to trace than in the past. In 2005, the BIS was unable to trace about 70 percent of cumulative investable funds of oil exporting countries, while in the last oil cycle from 1978-82 this figure stood at 51 percent.<sup>3</sup> One reason is that the importance of bank deposits with BIS reporting banks has declined, while offshore accounts and investment vehicles like hedge and private equity funds have become an important alternative. In contrast, they had been virtually absent in the 1970s. Foreign exchange reserves are the single most decisive change, as they had been negligible in the 1970s and now reach 19 percent of all investable funds.

Fiscal policies of the GCC states have been prudent so far, oil price projections of budget forecasts are conservative and a considerable portion of oil windfalls has been used for the early retirement of public debt, which had reached alarming proportions in comparison to GDP. The indiscriminate spending of the 1970s has been avoided. An often held belief though states that the various investment opportunities that have developed inside the GCC countries constitute a major competition to the traditional petrodollar investments abroad. The GCC countries are indeed a world market leader in petrochemical products. They are also about to increase their aluminum capacity to over 10 percent of worldwide supply by 2010, and the booming real estate and service sector of Dubai and other cities has

gained fame well beyond the borders of the GCC. Last but not the least, the oil and gas upstream sector will be in need of substantial investments of up to \$500 billion over the coming two decades, according to the International Energy Agency (IEA). But closer scrutiny reveals that although there has been a substantial rise in absolute terms, the relative importance of domestic investments has actually declined in comparison to the 1980s and 1990s. The inflow of oil revenues in recent years has been of such magnitude that it has accommodated rising investments in domestic and foreign markets alike, whereby the latter's rise has been proportionately higher, reaching now nearly 50 percent of all investable funds.<sup>4</sup>

In FDI, there has been a wave of strategic investments by Gulf countries over the past years that are intended to serve the strategic reorientation of their economies at home. In 2002, Saudi petrochemical giant SABIC

took over the petrochemical section of Dutch DSM, and ARAMCO as well as Kuwait are investing in refineries in China and Korea. This is meant to boost long term customer relationships and increase refinery capacity for sour crude, which constitutes a good part of the region's oil production, namely the Saudi spare capacity. Dubai, on the other hand, has gone on a shopping spree to acquire companies that can contribute to its diversification drive into services and tourism like P&O, Tussaud Group and the various real estate projects of Emaar in other MENA countries and Pakistan.

In line with general developments in financial markets, the portfolio investment behavior of oil exporting countries has become more sophisticated. Apart from the hedge fund industry, higher yielding corporate and agency bonds as well as equity investments have gained popularity. The relative importance of bank deposits and

plain treasury bonds has decreased. The latter are relatively well reported though, and with this data, one can show the growing importance of oil exporting countries in balancing the US current account deficit. It was they who kept the US dollar afloat over the last year, despite occasional announcements to the contrary that they wanted to diversify their currency reserves out of the dollar. Between June 2005 and June 2006, the treasury holdings of the biggest holder, Japan, declined from \$667 billion to \$635 billion, while the number two, China, continued to increase its holdings from \$298 billion to \$328 billion, but did so reluctantly, amidst calls by senior officials for currency diversification. The oil-exporting countries and the UK, however, increased their holdings massively from \$69 billion to \$102 billion and from \$59 billion to \$201 billion respectively.<sup>5</sup> The increase in UK holdings has been attributed largely to Arab buying out of London. Thus, in 2005 the relative weight of dollar denominated securities held by OPEC countries has increased again from slightly above 60 percent to more than 70 percent after it had declined from nearly 80 percent in the mid-1990s.<sup>6</sup>

In light of these plain numbers, GCC announcements of currency diversification out of the dollar appear to be mere rhetoric and calls for a thorough flight out of the dollar premature. The one percent change in Kuwait's currency peg in May 2006 was rather modest, and other GCC countries, like Saudi Arabia, Oman, and Bahrain, were quick to deny that they would follow suit in making changes to the status quo. The UAE central bank's plan to increase its share of euros from a meager two percent to 10 percent of overall currency reserves

Table 1: Country Current Account Deficit/Surplus / in \$ billion (Source: IMF)

Country	2002	2003	2004	2005	2006	2007
United States	- 475.204	- 519.678	- 668.082	- 804.951	- 864.189	- 899.351
Bahrain	- 0.035	0.219	0.442	0.755	1.084	0.869
Kuwait	4.250	9.414	17.323	32.307	43.712	45.393
Oman	1.333	0.863	0.433	2.121	2.934	3.438
Qatar	3.259	6.111	10.788	17.246	23.197	24.992
Saudi Arabia	11.889	28.085	51.556	87.183	98.129	88.516
United Arab Emirates	3.750	7.672	12.344	29.491	41.117	42.537
Total GCC	24.446	52.364	92.886	169.103	210.173	205.745
Russia	29.116	35.410	58.563	86.560	105.993	99.035
Norway	24.444	28.875	34.621	49.650	56.864	63.241
Venezuela	7.599	11.448	13.765	25.401	21.990	22.176
Algeria	4.359	8.810	11.116	21.703	22.200	20.902
Lybia	0.566	5.036	7.303	15.581	19.389	21.846
Iran	3.585	0.816	3.989	14.764	18.174	18.008
Angola	- 0.312	- 0.720	0.823	2.361	4.576	5.865
Brunei	2.613	3.307	3.879	4.660	4.312	4.180
Iraq	na	na	na	na	na	na
China	35.422	45.875	68.659	158.616	173.296	189.615
Japan	112.607	136.238	172.070	163.891	140.175	133.621
Germany	40.796	45.502	101.714	114.828	98.315	122.689

1 BIS, Quarterly Review, December 2005, p. 18.

2 Saleh M. Nsouli, "Petrodollar Recycling and Global Imbalances," IMF Presentation, Berlin 2006, p. 4.

3 BIS, Quarterly Review, December 2005, p. 21.

4 APICORP Research, Economic Commentary, Volume 1, No. 7-8, July-August 2006.

5 US Treasury, "Major Foreign Holders of Treasury Securities," available under: <http://www.ustreas.gov/tic/mfh.txt>

6 BIS, Quarterly Review, March 2006, p. 16.

has been postponed repeatedly, and has not yet been implemented. As its announcement on the matter came shortly after the US refused to let Dubai Ports World handle the management of American ports in the wake of the P&O takeover, it might have been no more than a warning of retribution. Qatar's position – holding up to 40 percent of currency reserves in euros and up to 90 percent in dollars – seems to have been the most courageous one so far, but, in general, one can attest that the special relationship between the US and the Gulf countries is still intact. Most importantly, plans are still in place to peg the unified GCC currency to the US dollar in 2010. Even neighboring Iran, an outspoken advocate of diversifying in favor of the euro, and a country hardly known for its endorsement of US foreign policy, earlier this year shunned Hugo Chavez's proposal at the OPEC summit in Caracas to price oil in euros, instead announcing that it would stick to pricing oil in dollars at its planned oil exchange on Kish island.

Only 10 percent of GCC imports come from the US, while roughly one-third each comes from Europe and Asia respectively. At the same time, two-thirds of the region's energy exports go to Asia. Thus, from a trade-weighted perspective, an exclusive currency peg to the dollar does not make sense, and one could speculate about whether the GCC countries' dollar allegiance is more politically motivated than economic in nature, as the GCC states depend heavily on the US for security in an unstable region. There are, of course, a number of economic reasons to hold on to the dollar, although they are quite different from the ones suggested by the textbook wisdom of mainstream

economics. The first is that the dollar may be in bad shape, but then other currencies do not look much better. Compared to their GDPs, budget deficits in the EU are, on average, comparable to that of the US; Japan's is actually much higher. The only difference is the more balanced foreign trade position that the two have.

As the GDP and the number of inhabitants of Euroland are comparable to those of the US, or even surpass it, the dollar is facing real competition for the first time, in terms of transaction domain. Formerly, the thinness of markets for hard currencies like the yen, the Swiss franc, the deutsche mark,

High oil prices have proven a windfall for GCC governments



and gold limited movements out of the dollar because of the lack of sizable alternatives. However, apart from the limited political and military power of Euroland, the euro is not yet sizable enough to be an alternative – the market capitalizations of its bond and equity markets still lag far behind those of the US. It thus remains to be seen whether the euro can acquire a status as an international reserve currency on equal footing with the dollar by 2010, as expected by Nobel economic laureate Robert Mundell. This is all the more true for China – if it can avoid a hard landing for its overheated economy and develop the political and military clout to solve its growing energy problem, it might be able to provide a second competitor to the dollar in 10 or 20

years. However, so far the Chinese yuan is not even fully convertible, and China's opaque capital markets are only a tiny fraction of the size of their American counterparts.

Thus, the dollar is illiquid because there are so many of it. For countries that want to diversify, there are simply not enough assets denominated in other currencies, and the gravity of established contractual obligations and trading platforms denominated in dollars is causing a dollar attraction, which is completely independent of the US economy and its abysmal deficit. On top of that, the dollar debt juggernaut fuels the world economy and everybody seems to be reluctant to depart from it, among them the GCC countries.

Thus, with no clear alternative in sight, the financial health of other countries and currencies is heavily dependent on the US dollar Ponzi scheme. If the dollar goes down, they go with it, and as with the prisoner's dilemma, everybody is afraid to make the first move – the first one to abandon the dollar could set off a chain reaction that would backfire and affect them as well. Thus, the dollar's demise might take a bit longer than common sense would suggest, as everybody is trying to evade the unpopular repercussions. Nevertheless, it is inevitable, and that is why the GCC countries need to contemplate a diversification into other currencies and gold sooner rather than later. On the FDI front of petrodollar investments this will mean a continuance of the ongoing drive towards Asia and, to a lesser extent, Europe and other MENA countries.

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# Increased Afghan Opium Production and Its Impact on the Gulf States

Faryal Leghari

The latest estimates for the Afghan opium crop for 2006 released by the United Nations Office on Drugs and Crime (UNODC) show a sharp gain in opium cultivation and production. The record opium harvest of 6,100 tons represents a 49 percent increase from 2005. In comparison to last year's cultivated area of 104,000 hectares, the current crop from a total of 165,000 hectares is enough to make Afghanistan the sole supplier of the world opium.<sup>1</sup> Last year's figures indicate that Afghan opium production

supplies 87 percent of the world's opium; to date that estimate has gone up to a staggering 92 percent. The large scale profits associated with this form of illicit trading can be gauged from the fact that the \$2.7 billion trade of opiates alone accounts for 50 percent of Afghanistan's GDP. It is expected that this year's crop would fetch over \$3 billion.<sup>2</sup>

Afghanistan continues to be the major supplier of opiate narcotics to European and Asian markets despite opium eradication being carried out in some parts of the country with the support

of the International Security Assistance Force (ISAF), particularly in the heavily cultivated opium provinces in the south. UN estimates note that the highest production increase was in the southern provinces of Helmand and Kandahar. Reports suggest that this increase is a result of the growing strength of the Taliban in the region; they are exploiting the situation by supporting, and even encouraging at times, the poppy farmers and trafficking networks. This serves a double purpose as the Taliban manage to consolidate popular support that is

in favor of poppy cultivation (being the chief and highest paying source of income) and secure monetary incentives they need to fund their insurgency. In the north, particularly in the Badakhshan province, increased poppy cultivation was found to be the result of weak governance, poverty and warlord-ism. NATO supreme commander in Europe, General James Jones has warned of the links between the rising insurgency and the narcotics trade and called for strict action fearing further deterioration in the already precarious security situation and consequent international repercussions.

The fact remains that Afghanistan has an entrenched narco economy and as warned by the head of the UNODC, Antonio Maria Costas, is on its way to becoming a narco state. Poverty, corruption, persistent lawlessness and violent insurgency are the major factors that define the complex web of affairs in the country. Enforced poppy eradication - coupled with the lack of any viable alternative livelihood schemes - has backfired especially in view of the fact that these schemes are being implemented with the support of the international foreign troops stationed there.

Drug abuse and trafficking continue to be an escalating security problem not only in South West Asia but one that affects other states in the region. The Gulf States, as the principal transit zone of Afghan narcotics destined for African and European markets, face an increasing domestic drug abuse problem, as well as having to counter highly organized crime syndicates that favor the region as a major trafficking

route. Any changes in Afghanistan's narcotics production would naturally impact the volume of trafficking taking place through the region, as well as pose an even greater threat of drug abuse. This concern has been voiced in repeated warnings issued by the UN; the ground reality remains that many states in the Gulf face an often unreported drug abuse problem.

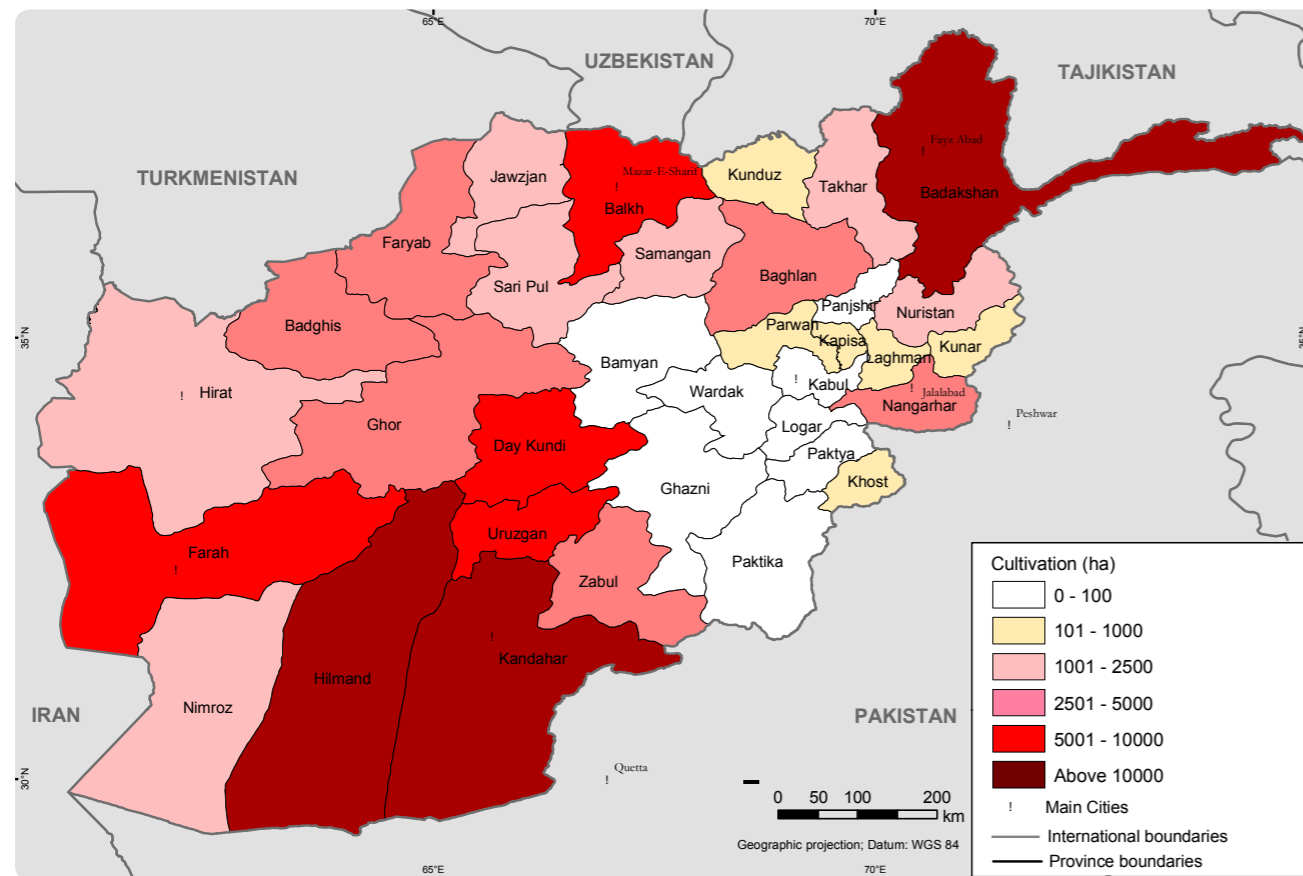
Another expected fallout of the increased opium production in Afghanistan is the resulting surge in drug related deaths, typically lethal overdoses from higher-purity heroin in all drug consuming nations.<sup>3</sup> Health studies conducted by numerous health organizations in countries like Iran and Pakistan have suggested the confirmed link of spread of HIV through intravenous use of drugs. The fact remains that the spread of drug abuse will inadvertently lead to a multitude of serious social health problems directly impacting the fabric of society and culture as well as an increasing security crisis within states with rising lawlessness and negative economic repercussions, declining education and increasing unemployment.

The Gulf states have traditionally been the hub of illicit transit trafficking of opiates and cannabis destined for European markets. The UAE, in particular, has become the trans-shipment point for heroin coming in from Afghanistan via Pakistan and Iran. Besides direct shipments, drugs are often routed to Africa before being shipped to European markets.

Opium eradication in progress  
(Source: [http://www.senlisCouncil.net/modules/media\\_centre/photo\\_library/Landscape](http://www.senlisCouncil.net/modules/media_centre/photo_library/Landscape))



Opium Poppy Cultivation in Afghanistan by Province, 2006 (Source: MCN-UNODC-Afghanistan Opium Survey 2006)  
Note: The bounda



1 [http://www.unodc.org/unodc/press\\_release-2006\\_09-01.html](http://www.unodc.org/unodc/press_release-2006_09-01.html)

2 [http://www.unodc.org/unodc/press\\_release-2006\\_09-01.html](http://www.unodc.org/unodc/press_release-2006_09-01.html)

3 Warning issued by Antonio D

Recent studies conducted by the UNDCP have estimated that, at present, there are approximately 400,000 drug addicts in the Middle East. An alarming rise in teenage drug abusers in the region has been noted with teenagers in the 13-16 years bracket having started to abuse drugs.<sup>4</sup> The breakdown of any semblance of security in Iraq due to the ongoing conflict has led to increased drug trafficking along the borders of Iraq with Iran, Jordan and Kuwait; this is substantiated with extraordinarily high levels of seizures of cannabis and psychotropic substances.<sup>5</sup>

It is difficult to ascertain the current drug abuse situation in the Gulf

states due to lack of data. Often many cases go unreported because of fear of governmental or social reprisals and shame. However press reports on drug abuse estimates and narcotic seizures, as well as reports and surveys conducted by international organizations, shed light on this issue. The fact that many states in the Gulf region have taken note of the growing malaise and are making concentrated efforts on combating it should serve as a reminder of the importance of the crisis the states face and underline the urgent need to chalk out an effective strategy to deal with it.

It will be useful to briefly assess the drug abuse and trafficking situation in

the different Gulf States before one can review the initiatives taken by the governments not just at an individual level, but also the regional and international level.

The two main transit countries that are on the chief trafficking routes of Afghan opiates destined for the Gulf states are Iran and Pakistan. A number of land based routes are used in conjunction with sea and air routes.

Saudi Arabia faces an increasing drug abuse problem despite its stringent laws which include the death penalty for trafficking. Saudi Arabia is not a major transshipment point like the UAE; rather it is a choice des-

tinuation for traffickers. Captagone and hashish are the most popular drugs in use followed by heroin. In the recent past, there has been

**A relatively affluent population, large unemployment figures as well as the high profit margins on narcotics has led to Saudi Arabia being a preferred destination for traffickers**

increased trafficking via the borders with Yemen and Iraq.

Hashish is typically smuggled into the kingdom from Iran, and by sea from Pakistan's Makran coast from where the consignments are taken to Yemen and then via the long and porous land border into the Kingdom. Heroin is mostly smuggled in via air routes; in the past, a lot of trafficking was conducted in the busy pilgrimage season. A relatively affluent population, large unemployment figures as well as the high profit margins on narcotics has led to Saudi Arabia being a preferred destination for traffickers. For example, the price of 1 kg hashish in Saudi Arabia is approximately 7-8 thousand riyals (\$2130). There has been significant success in seizures because of more effective screening mechanisms and improved intelligence sharing among the Saudis and anti narcotics forces of other countries as shown in Table 1.

Kuwait, like Saudi Arabia, is another preferred destination for traffickers; with a per capita income of \$20,000 it is an ideal market for traffickers to exploit. Excess of money and unem-

ployment has led to increasing frustration and boredom among the youth which in turn has led them to resort to drugs. Some recent surveys suggest that Kuwait has about 18,000-20,000 drug addicts, equivalent to nearly 1 percent of the population.<sup>6</sup> Increased seizures of heroin from Afghanistan that is trafficked via Pakistan and Iran are indicative of the growing domestic demand. Often the expatriate laborers are used as couriers by traffickers. The government has taken several initiatives with other countries like Pakistan to ensure cooperation and improve joint information and intelligence exchange.

Oman faces a major trafficking problem due to its geographical proximity to the main trafficking routes of opiates originating from Afghanistan. Opiates are smuggled overland and then taken by sea to Oman from the Pakistan coast. The government is aware of the problem and has taken serious measures to monitor and engage with other regional states to counter trafficking.

According to an article appearing in *Addiction*, heroin addiction became

a serious problem in Bahrain in the 1980s with several reported deaths.<sup>7</sup> The current drug abuse situation in Bahrain is quite dismal in light of certain disclosures by an MP, Shaikh Mohammad Khalid, who called for a widespread awareness campaign in the media to educate people about the perils of drug abuse. The fact that drugs had become readily available in secondary schools at cheaper rates indicated the seriousness of the problem.<sup>8</sup>

Similarly, the government of Qatar, in response to the potential crisis the region faces in terms of narcotics abuse and trafficking, has been at the forefront of several regional endeavors to combat narcotics trafficking.

UAE's geostrategic location makes it an ideal choice for traffickers who gain tremendous benefits in exploiting natural advantages like its close geographical proximity to the major narcotics cultivation region in South West Asia. Other factors which have led to the UAE becoming a transshipment destination for illicit narcotics trafficking are: a porous land border with Oman, a 700 km long coastline,

Afghan Narcotics Trafficking Towards the Gulf States (Created by Gulf Research Center. Copyright © 2002-2006 Gulf Research Center)  
Note: The trafficking routes via Iran based on UNODCCP Study, 2002.



Table 1: Confiscated Narcotics 22/02/2004- 09/02/2005, Saudi Arabia (Source: Saudi Ministry of Interior)

Region/Border Locations	Tranquillizers	Qat/kg	Captagone	Marijuana/kg	Hashish/kg
Eastern: Kuwait, Bahrain, Qatar, UAE, Oman, Yemen	3.500	0	0	0	634.100
Northern: Iraq	203123.000	0	0	0	7250.260
Aljuf: Jordan	0	0	0	0	0
Tabuk: Jordan	24.000	0	0	0	40.870
Mecca Mukarna, Red Sea	0	0	0	0	0
Jazan: Yemen	3752.000	4395498.000	36.000	2.615	269.770
Aseer: Yemen	641.000	15953.000	0	0	186.760
Najran: Yemen	931.000	8527.000	0	0	158.450
Madinat ul Munawara Red Sea	17.000	0	0	0	44.000
<b>TOTAL</b>	<b>208491.500</b>	<b>4419978.000</b>	<b>36.000</b>	<b>2.615</b>	<b>8584.210</b>

4 The Peninsula, March 21, 2006.

5 International Narcotics Control Board Report for 2005, p.76.

6 <http://www.mapinc.org/drugnews/v02.n1485.a02.html>

7 *Addiction*, Vol. 91 Issue 12 (December 1996), p. 1859.

8 *Gulf News*, April 15, 2006.

Though increased seizures of narcotics are a good yardstick to measure improved efficiency of law enforcement agencies, they are also indicative of the increased volume of trafficking that is successfully carried out from that particular location. Inter-regional and regional cooperation is a pre-requisite for implementation of effective counter narcotics measures

the emergence of Dubai and Sharjah as major regional centers in transportation of passengers and cargo, and the high volume of shipping at the UAE ports that are de facto 'free ports' where transhipped cargo is not subjected to transportation regulations and inspections as other goods that enter the country. These factors are fully exploited by the traffickers who use it to further the illicit trading of narcotics intended for the Western markets.

The growing number of drug abusers among UAE and third country nationals has led to increased concern and spurred the government's efforts to combat the problem. Despite the harsh drug laws of the country, the number of drug addicts in the country has grown and was estimated at approximately 12,500 (in a population of 3.1 million) in 1998. The Ministry of Health report in 1998 asserted that statistics reveal that hashish was the choice drug of preference of nearly 75 percent of the drug users in UAE,

while heroin and morphine users were placed at 13 and 6 percent respectively. As for the street prices of drugs, they were highest in Abu Dhabi and Dubai because of the more affluent base of customers in these two emirates as reported by the local press.<sup>9</sup>

It is a well known fact that all major successes in counter narcotics trafficking have been chiefly due to intelligence sharing and information exchange. For example, it is very difficult and often humanly impossible to check hundreds of cargo containers. Though increased seizures of narcotics are a good yardstick to measure improved efficiency of law enforcement agencies, they are also indicative of the increased volume of trafficking that is successfully carried out from that particular location. Inter-regional and regional cooperation is a pre-requisite for implementation of effective counter narcotics measures. Some major initiatives undertaken by the Gulf States as well as the joint cooperation measures that are being implemented are as follows:

- ▮ Following a meeting of representatives of anti narcotics department from across the region at the expert roundtable for the GCC of the Paris Pact initiative (PPI) that took place in May 2006, it was decided to initiate an inter-regional coordination program targeting countries affected by Afghan narcotics trafficking. This program would be helped by the UNODC that also planned to help Gulf countries set up coordinated strategies against opiate trafficking.<sup>10</sup>
- ▮ Another major initiative in the offing is the setting up of a new law

enforcement body that would be called 'Gulf Pol' to combat organized crime and cross-border criminal activities in the region. Modeled after Europol, it would coordinate activities of the police forces in the Gulf in combating terrorism, drug trafficking and other cross border organized criminal activities. This was proposed at an Interpol meeting for Heads of National Central Bureaus held in March 2006 and was attended by Gulf representatives that included Interpol members from Qatar, Bahrain, Oman, Kuwait, Saudi Arabia and UAE.<sup>11</sup>

- ▮ The Saudi government adopted a new national drug control strategy in 2005. Additionally the Saudi Ministry of Interior maintains over 40 overseas drug liaison officers in countries that are identified as representing a trafficking threat.
- ▮ The Saudi government has established four major hospitals for treating drug addiction among Saudi nationals; these are located at Jeddah, Riyadh, Qassim and Dammam.
- ▮ Kuwait hosted the First Regional Anti-Narcotics Conference in March 2006 as part of the government's efforts at countering narcotics abuse and trafficking in the region.<sup>12</sup>
- ▮ Kuwait and Pakistan decided to depute drug liaison officers at their respective embassies to deal with drug abuse and trafficking issues in March 2006. This would facilitate Kuwait in exchanging information directly with counter-

parts in Pakistan instead of going through Interpol as in the past.<sup>13</sup>

- ▮ The Oman government has set up an Inter Ministerial Committee to oversee drug related matters.<sup>14</sup>
- ▮ Bahrain's Interior Minister Shaikh Rashid bin Abdullah al Khalifa signed a \$535,600 (BD 202,457) contract with the UNDP (United Nations Development Program) that will provide Bahrain with training and other assistance as part of the agreement on combating trafficking.<sup>15</sup>
- ▮ Qatar hosted an international conference on border security in Afghanistan in February 2006 that stressed the need to increase joint cooperation among all the states. The participants included the interior ministers from Afghanistan, Iran, Pakistan, Qatar, Turkey and the UAE along with senior narcotics control officers from the United States, Britain, Russia and Norway.<sup>16</sup>
- ▮ The permanent committee for combating drug trafficking at the Ministry of Interior, Qatar, organized a seminar in connection with the international day for combating drugs in June 2006. The workshop seeks to create more awareness on this issue and was the first step towards formulating a national action plan on prevention and elimination of drugs and narcotics.<sup>17</sup>
- ▮ There is also a plan to set up a rehabilitation center for drug addicts, in Qatar that will cater to nationals as well as expatriates.<sup>18</sup>

▮ The UAE signed a landmark counter narcotics agreement with Iran in 2003, providing for cooperation against production, distribution and smuggling of illicit drugs across the UAE-Iran sea border.<sup>19</sup>

▮ The UAE Ministry of Interior established a countrywide law enforcement database in 2003 which is accessible to emirate level police departments as a means of coordinating counter narcotics related information throughout the UAE.<sup>20</sup>

▮ The UAE signed the Container Security Initiative in December 2004 that would result in the tightening and expansion of cargo-reporting requirements. The UAE authorities also received training on seaport interdiction and global transshipment in 2006.<sup>21</sup>

▮ The UAE signed an agreement with the United Nations in November 2004 on bilateral cooperation on drug trafficking and other drug related crimes and announced the establishment of a UN sub office on Drugs and Crimes.<sup>22</sup>

Afghanistan's case looks bleak with the current opium production touching an all time high. Short term measures such as the recent eradication could prove successful only in some cases for a short period of time, and could even prove detrimental in other instances as is evident by the recent surge in opium production. Currently, only six of Afghanistan's 32 provinces remain poppy free. The precarious security situation within Afghanistan is a complex intermeshed

web of insurgency, poverty and organized crime. It would be realistic to assume that it is not possible to separate opium production in its entrenched state from the Afghan economy in the near future.

Sustained program implementation would require commitment and determination not just on part of the Afghan government, that has to contend with consolidating its power base among the warring factions and insurgents, but also on the part of the neighboring countries who have an equally important role to play as the major trafficking routes from landlocked Afghanistan pass through their territories. Additionally, there is a dire need to also reduce demand for the opiates internationally.

The initiatives taken by the Gulf States are a step in the right direction. The fact that there is an increasing realization of the extent of the narcotics crisis is of paramount importance and it is hoped that the Gulf States will pay closer attention to monitoring the domestic drug abuse situation; this would also be an indicator of the corresponding volume of trafficking in the respective region as well as the size of the drug demand market. Regional cooperation would act as an effective deterrent to traffickers in the long run. To conclude on a more optimistic note, it is not unrealistic to assume that there is no doubt that working towards a shared objective would also be beneficial for the states individually.

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9 For example, the street value of 1 kilogram of Pakistani hashish was an approximate Dhs 5,000 (\$1,362) in Abu Dhabi while the same fetched a price of Dhs 4,500

(\$1,226) in Dubai. International Narcotics Control Strategy Report, 2005.

10 International Narcotics Control Board Report for 2005, p.76.

11 Gulf News, March 28, 2006.

12 Gulf News, April 1, 2006.

13 Kuwait News Agency, March 14, 2006.

14 <http://www.mcmun.org/english/textFrame/committees/position.paper.view.php?paperid=1062>.

15 Gulf Daily News, July 30, 2006.

16 Doha Times, March 1, 2006.

17 Peninsula, June 20, 2006.

18 Peninsula, March 21, 2006.

19 INCSR 2005, Country report on UAE.

20 Ibid.

21 Ibid.

22 Gulf News, May 23, 2006.

# Asymmetrical War on Terrorism: Five Years On

## Musa H. Al Qallab

Five years after the September 11, 2001 attacks in New York and Washington DC shook the US and the world, the repercussions continue to be felt. The consequences of 9/11 were not restricted to the collapse of the Twin Towers in Manhattan and the destruction of a wing of the Pentagon – it also turned upside down several military and security theories which had prevailed for decades. Armies were used to implement the doctrine of pre-emptive strike to warn, and if necessary destroy, regimes of some states. On the basis of this doctrine, the US launched its total war on terrorism, using several methods and means, with the armed forces in the lead.

## The Global War On Terrorism Starts from Afghanistan

In October 2001, the US launched the global war on terrorism in Afghanistan with the aim of destroying the Taliban regime and Al Qaeda. Spearheading the attack were the heavy, strategic bombers of the US Air Force which took off from distant defense bases; the nearest to the Afghan operations theater was the island of Diego Garcia, opposite the east African coast. The giant bombers executed comprehensive strategic bombing from tremendous heights against specified targets and troops by using all types of command and control techniques, communication, computers and intelligence, surveillance and reconnaissance (C4ISR) and the global positioning system (GPS). This was followed by aerial tactical bombing by

medium range and light bombers, the majority of which took off from US carriers stationed in the Indian Ocean.

The land war was restricted to limited numbers of Special Forces and some American intelligence operatives which accompanied the troops of the Afghan Northern Alliance in its march to finish off the remnants of the vanquished Taliban and Al Qaeda forces. Needless to say, it was mainly American forces who were involved in that war. There was modest participation with air, sea and land forces from some US allies like Britain but mainly for political reasons, i.e. to justify the concept of an international alliance against terrorism, and not because of real, urgent military needs as was the case in past wars.

After the end of regular military operations in the declared war and following the collapse of the Taliban regime and the Al Qaeda organization in Afghanistan, the US opted to transfer military duties on the ground to a multinational force under American leadership. With the beginning of the reconstruction in Afghanistan and the holding of elections, NATO soon took over the leadership of the International Security Assistance Force (ISAF).

On July 30, 2006, the alliance started expanding its operations to cover the southern and the far west regions of Afghanistan. The US urged Pakistan, its ally and the country that was geographically the nearest, to deal with the armed insurgent elements located along the length of the Afghan-Pakistan border and the eastern regions of Afghanistan.

US and multinational troops, as well as regular Afghan soldiers, soon faced counter attacks from elements of Taliban and Al Qaeda which took them by surprise. These counter attacks are an example of asymmetric warfare between regular troops (multinational and Afghan government troops) and hostile groups who chose to conceal themselves among local Afghans. The American leadership calls them 'terrorist cells' carrying out attacks against multinational troops. These acts of terror still continue; they are likely to threaten foreign as well as Afghan troops and inflict on them significant human and material losses.

Following Afghanistan, Iraq, which was occupied by US and British forces with a limited symbolic participation of allies from outside the Middle East region, became the second zone in the war on terror. Iraq was occupied by military forces after a regular war, which was fought forcefully on land, sea and air, and lasted for about 20 days – from March 20 until the fall of Baghdad on April 9, 2003. But the nature of that war changed – from a regular war, it gradually transformed into an asymmetrical one that is still raging and shows no sign of ending.

Bombings and terrorist attacks against the multinational troops, as well as the regular military forces of the Iraqi government and the militias allied with it, still continue. In fact, with time, the attacks seem to be becoming more numerous. Many of them have inflicted significant human and material losses. They are more intense than similar attacks which happened, and are still happening, in Afghanistan. An

analysis of the military operations in Iraq and Afghanistan shows to the observer that until today they have not resulted in a decisive victory of the regular armed forces over the terrorist organizations. This is so despite the fact that there are legal governments and regular armies in both Iraq and Afghanistan. Also, there are no supportive nations supplying and reinforcing these organizations and groups.

This is the ground reality in both Iraq and Afghanistan. The military operations that occurred in these places in the wake of September 11, 2001 as well as those that are being waged in places like Pakistan and a number of the countries of Central and East Asia, as well as the Middle East region and North Africa, lead us to the conclusion that this asymmetric war is still very far from achieving its declared goals. However, American resolve, as seen in the several

statements of President Bush, is still strong and clear. The war on terror may be long but the president, and a number of his supporters who are loyal to the war, believe that victory is inevitable ultimately.

An analysis of the military operations in Iraq and Afghanistan shows to the observer that until today they have not resulted in a decisive victory of the regular armed forces over the terrorist organizations

There may be different viewpoints on the war on terror. However, they are all agreed on one thing: the final outcome of this war, which is really being fought at the global level in general, and in Iraq and Afghanistan in particular, is unclear. This is so

despite the lapse of five years from the war's beginning. The assumption of success of the regular armed forces, with their superior military capability, has not been realized until now. A regular war might not be the optimal solution as regards uprooting the "terrorist groups", as they are called by the international coalition, or the "organizations of armed national resistance" as they are described by those who sympathize with these groups and oppose the western camp led by the US and Britain.

Faced with these facts, one realizes clearly that there are new developments in the arena of global warfare, which have forced military analysts and leaders in militarily advanced countries to rethink some conventional assumptions. Such a re-thinking is a prerequisite to achieve a long-term, strategic outlook on warfare in the 21st century.

Attack on Madrid Train System, March 2004



One notion that needs to be revised is that technological superiority can guarantee military victory. Smart bombs

The grave danger which the US and its allies are afraid of is not restricted to collective or individual bombings; it goes beyond this to the possibility that some terrorist cells could become capable of using what is known as the dirty bomb, to disperse poisonous chemicals or lethal germs in public utilities, transport stations, and perhaps, in some residential areas with high population density in order to cause maximum casualties that would put governments under great pressure

and satellite pictures cannot deter someone who is bent on detonating a booby-trap car, exploding a mortar shell in a military convoy's way, or planting a bomb which catches land patrols by surprise when it is remotely detonated and which can destroy even armored vehicles.

Instead, it is evident that simple human networks, enjoying the advantages of mobility and adaptability, could pose a challenge to the concept of centralized, electronics-based warfare. Terrorist or militant organizations have developed what may be described as 'Asymmetric Approaches' to neutralize US and allied forces. Using these techniques, terrorist elements were able to attack strongly-guarded governmental installations like the Al-Khobar Towers and other targets, including para-military and security targets, in Saudi Arabia between 2004

and 2006. Before 9/11, they blew up American embassies in Nairobi and Dar es Salaam, and bombed the destroyer USS Cole within the regional waters of Yemen. Recently, following the commemoration of the fifth anniversary of 9/11 in Washington, an armed attempt was made to break into and destroy the US embassy in the Syrian capital, Damascus.

Al Qaeda's commemoration of this anniversary only showed its determination to continue this irregular war. A statement made by the group's leadership underlined that the next targets could be in the Gulf region and Israel, states traditionally allied with the US, in the words of Al Qaeda's leadership.

The grave danger which the US and its allies are afraid of is not restricted to collective or individual bombings; it goes beyond this to the possibility that some terrorist cells could become capable of using what is known as the dirty bomb, to disperse poisonous chemicals or lethal germs in public utilities, transport stations, and perhaps, in some residential areas with high population density in order to cause maximum casualties that would put governments under great pressure.

The struggle against terrorism is complicated by other factors too. More than 75 percent of the world's population lives in regions with difficult terrain that impedes the daily operations of regular armed forces when they are tracking down terrorists. In addition, there are regions with different sects, ethnicities, cultures and tribal allegiances. These do not form an ideal environment to support the projection of regular armed forces and their field intelligence apparatuses to monitor terrorist activities.

One of the issues that is worthy of study, and which has been faced by

the American forces in Iraq, is that of privatizing the conflict by employing private military companies within the armed forces and in close association with them. This is especially important because now the battlefield is dispersed and it is difficult for regular armed forces to deal with what is called the "series of extremely small battles" against individuals and small terrorist groups.

Following from their experiences in the struggle against global terrorism, the commands of some of the western armed forces and the national forces that have been working in tandem with them in the global arena, have reached certain important conclusions:

**First**, regular armed forces should cooperate with paramilitary forces, intelligence agencies and other security units to ensure that any gaps in security network are covered. This collaboration should close the gaps in such a way as to prevent terrorists from infiltrating and carrying out their attacks.

**Secondly**, the armed forces command should help prevent the defeat of forces deployed in densely populated, built-up and urban areas, and also help them to be more adaptable in carrying out various tasks, especially when moving from one area to the other.

**Thirdly**, it is necessary to improve the protection of forces engaged in battle by arranging for the rapid arrival of supporting forces at the scene, and raising the level of 'situation awareness' to the maximum possible. It is necessary that forces have thorough knowledge of the conditions of the land operation, including the best location for camouflage and concealment for friendly forces and the terrorists alike.

**Fourthly**, the armed forces command and defense policymakers should realize the importance of preparing small military groups for hot spots, which are scattered, and very complex. This would prevent large losses of manpower which affect the morale of troops.

The US National Security Council felt that the current character of conflict may render American and Western supremacy meaningless in an assessment made in December 2004 and presented under the title "The Map of Global Future." The London-based International Institute of Strategic Studies in its annual publication "Military Balance 2005-2006" referred to this assessment. The research reached the following conclusion:

*"There is nothing to indicate that the core factors that have bred international terrorism are going to diminish over coming fifteen years ... Also, the possibility of the conflict between two super-powers reaching the extent of the breakout of a comprehensive war between them over the coming fifteen years is less than any previous time in the past century. Also, the elements formed from slow-growing economies, ethnic ties, the growth of the phenomenon of religious extremism, and the rapid increase in the number of young people will unite to constitute 'a complete storm' that creates the circumstances capable of breeding internal instability and conflicts. Yet the levels of the ability of nations to spread rule and administration will determine whether conflicts will actually occur, and to what extent will they continue. Most likely nations incapable of meeting the hopes of their people and resolving or suppressing the*

*causes of conflicts between them will face the mightiest violent explosions and the most frequent."*

The recent role of the US intelligence in the global arena has been described by John Negroponte, the Director of the US National Intelligence, in an optimistic article published recently in the daily, Los Angeles Times:

*"... Though the enemy is continuously reorganizing and still very dangerous, information gatherers and analysts in our intelligence community continue tracking them down and monitoring carefully the development taking place in Al Qaeda organization and its ideological allies. At a time when we are building our analytical capabilities and experiences, we also allocate more resources for gathering human intelligence as regards targets of primary importance. One indicator of the very high degree of efficacy that we achieved is that, together with our partners, we have captured and killed most of the Al Qaeda leaders who participated in planning and directing the attacks of 9/11."*

One can have a sense of the paradox in the two conflicting strategies via comparing the competing viewpoints in this war. Dan Murphy, an American political analyst, says in an article in Christian Science Monitor, quoting Brian M. Jenkins, a researcher at the RAND foundation, that the West views war on terror as a "specific project with known goals, whereas Al Qaeda views its war with the US and its allies as 'a project with no specific range'."

As for the relevance of research about the war on terror, analysts of the

American Brookings Institution, like Ivo H. Daalder and Peter W. Singer, believe that they still provide the US administration with practical suggestions that offer reasonable solutions to improving the relationship of the US with the Islamic World; they demonstrate the importance of helping weak nations to eliminate terrorism growing from within, continuing at the same time to succeed in protecting the internal national security of the US, which has not faced any terrorist attacks since 9/11.

Finally, one can say that most political planners in the world have realized, as is the case with the British and Australian special and land forces and the American marines who have long experiences in fighting battles in the context of low-intensity wars, that these forces have started a transformation towards "smaller task forces", which are more agile and capable of maneuvering. This may take long to achieve especially for the American army which historically has focused on developing military capabilities and doctrines of conventional high-intensity wars to confront regular, conventional armies. On the other hand, the new war on global terrorism is dispersed as terrorist organizations and groups are scattered around the world.

Have the counter-terrorism military operations achieved success in this 'asymmetrical war' by using regular armed forces against terrorist groups in the global arena till today? If the answer is no, then to what extent will this comprehensive war continue via regular armed forces against global terrorism? The current trends do not seem reassuring.

*Brig. Gen. (retired) Musa H. Al Qallab is the Defense Program Manager at the Gulf Research Center.*

# Environmental Management System in the Gulf Region

## Dr. Mohamed Abdel Raouf

An Environmental Management System (EMS) is a systematic approach that can be adopted by an organization to achieve environmental and other organizational goals. Since organizations of all kinds are increasingly concerned about achieving and demonstrating sound environmental performance, an EMS can help them comply with environmental laws and regulations as well as meet the expectations of customers and other stakeholders. It can combine organizational and environmental goals and enable environmental obligations to be managed effectively. Furthermore, an EMS can manage potential liabilities by systematically identifying risks and avoiding environmental and financial damages alike.

This article studies the status of Environmental Management Systems (EMS) in the Gulf region, while focusing on the significance of implementing EMS such as ISO 14000 and 14001 in firms and facilities operating in the GCC states. History and experience have shown that there are specific obstacles facing the implementation of EMS in the Gulf, such as lack of commitment by management, low market demand, low awareness regarding ISO 14000 benefits, testing facilities, low return on investment in certification, and weakness of certification and accreditation bodies, which need to be addressed. Nevertheless, the situation in this regard has improved in recent years.

## Environmental Management System (EMS)

An Environmental Management System (EMS) is that aspect of an organization's overall management structure which addresses the immediate and long-term impact of its products, services and processes on the environment. It provides order and consistency in organizational methodologies through the allocation of resources, assignment of responsibilities, and ongoing evaluation of practices, procedures, and processes. In other words, EMS is a set of management processes that requires firms to identify, measure, and control their environmental impact.

The model for an EMS is based on the following five major steps:

1. Commitment and policy
2. Planning
3. Implementation
4. Measurement and evaluation
5. Review and improvement.

## The ISO 14000 and 14001 Standards

ISO 14000 is an evolving series of generic standards providing business management with the structure for managing environmental impacts. The standards include a broad range of environmental disciplines, including basic management systems, auditing, performance evaluation, labeling, and life-cycle assessment. The standards are basically of two types: guidance and specification.

Environmental Management has not been in existence for a very long time as shown in Figure 1 which describes the evolution of environmental management since the early 1960s when environmental awareness first started building up.

ISO 14001, meanwhile, is an international specification standard for environmental management systems (EMS). At a corporate level, ISO 14001 was designed to help businesses reduce their environmental

Figure 1: Development of the Idea of Environmental Management  
(Source UNEP/ICC/FIDIC, Environmental Management System Training Resource Kit, 1996, p. 4.)

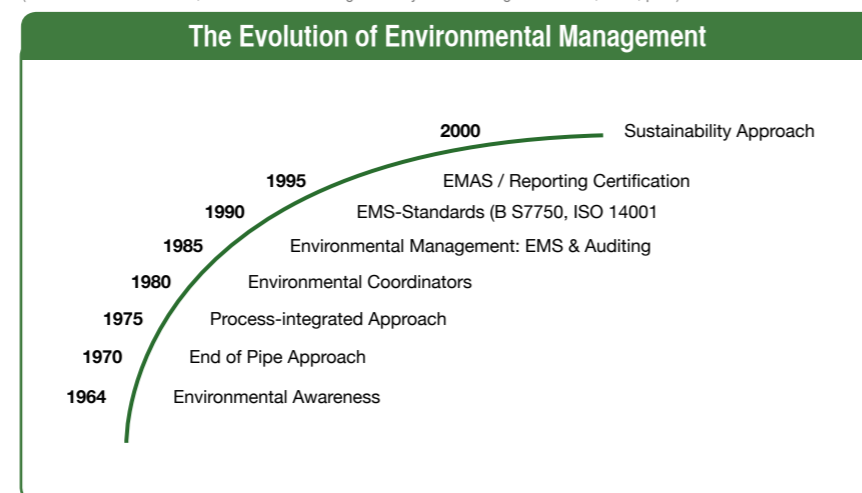


Table 1: Number of ISO 14001 Certified Companies in the Gulf Region and Some Selected Arab Countries over the Past Decade

Country/Year	Iran	Egypt	UAE	Syria	Jordan	KSA	Bahrain	Qatar	Oman	Kuwait	Lebanon	Palestine
1995	-	-	-	-	-	-	-	-	-	-	-	-
1996	-	1	1	-	-	-	-	-	-	-	-	-
1997	2	7	4	-	-	1	-	-	1	-	-	-
1998	8	13	9	-	2	1	-	1	1	-	1	-
1999	12	35	36	2	8	3	2	1	1	-	4	-
2000	12	78	48	3	16	6	2	1	2	-	5	1
2001	34	100	49	5	10	6	2	1	3	3	5	1
2002	54	101	92	8	14	5	2	1	6	3	5	1
2006	400	354	161	53	39	17	13	9	8	7	7	6

Table 2: Total Number of ISO 14001 Certified Companies in Some Selected Developed Countries in the Past Decade

Country	Australia	Canada	Denmark	France	Germany	Japan	Malaysia	Netherlands	Switzerland	UK	USA
1995	1	-	21	3	35	4	-	74	-	61	1
1996	53	7	96	23	166	198	7	119	18	322	34
1997	137	27	270	52	352	713	36	263	170	644	79
1998	352	104	314	295	651	1542	86	341	360	921	291
1999	708	276	430	462	962	3015	117	403	543	1492	636
2000	1049	475	580	710	1260	5556	174	784	690	2534	1042
2001	1370	801	620	1092	3380	8123	367	942	762	2722	1645
2002	1485	1064	711	1467	3700	10620	367	1073	1052	2917	2620
2006	1406	1706	837	2089	5094	19477	566	1111	1562	6223	5100

impact while improving management control. At a societal level, ISO 14001 was intended to facilitate sustainable development and foster international trade by providing an internationally legitimized system of standardization. The ISO 14001 Environmental Management System (EMS) standard brings environmental concerns into the mainstream of business operations by providing a framework for balancing and integrating environmental and economic interests.

Advantages of receiving an ISO 14001 EMS include:

- Improved environmental control
- Integrated plant wide system
- Ownership of environmental matters throughout the plant from the lowest level up
- More cost efficient and environmentally effective plant production performance

- Improved waste management
- Industrial respect and recognition

Since an EMS can help firms in a specific industry improve their performance by reducing waste and creating other efficiencies, a country's national comparative advantage in specific industries can be enhanced if industry members are ISO 14001 certified.

## Status of EMS in the Gulf

Many organizations in the Gulf region have obtained ISO 14001 certification especially oil and large industrial companies. For instance, BP Sharjah operations achieved ISO 14001 certification in December 2000; Dubal (Dubai Aluminum) attained Environmental Management Systems standard in 1996, and ISO 14001 certification in 2003.

Table 1 shows the number of companies in the Gulf region and in the

Arab world that have obtained the ISO 14001 certification. While there has been a steady increase in the number of companies obtaining relevant certification, it is equally evident that the process of ISO 14000 certification still has a long way to go in the region, particularly when the numbers in Table 1 are compared to other parts of the world, especially developed economies (see Table 2 and Figure 4).<sup>1</sup> However, it is worth noting that the UAE is proving to be something of a pacesetter among GCC countries, as can be seen in Figure 2<sup>1</sup> and 3.<sup>1</sup>

## Obstacles in Implementing EMS in the Gulf

With increasing international economic liberalization as part of globalization, GCC industries are faced with serious challenges as they try to compete with manufacturers of other countries, whether

<sup>1</sup> World Resources Institute, <http://>

Figure 2: Total Number of ISO 14001 Certified Companies in the GCC Countries over the Past Decade

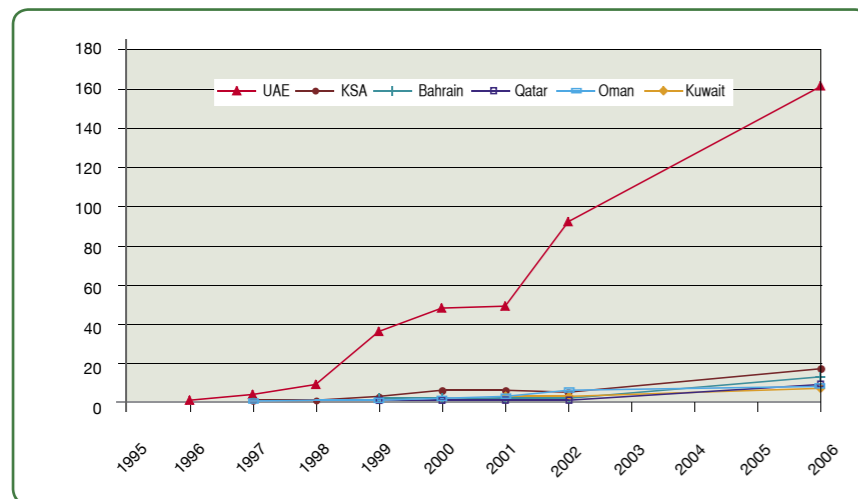


Figure 3: Total Number of ISO 14001 Certified Companies in Some Selected Arab Countries in 2006

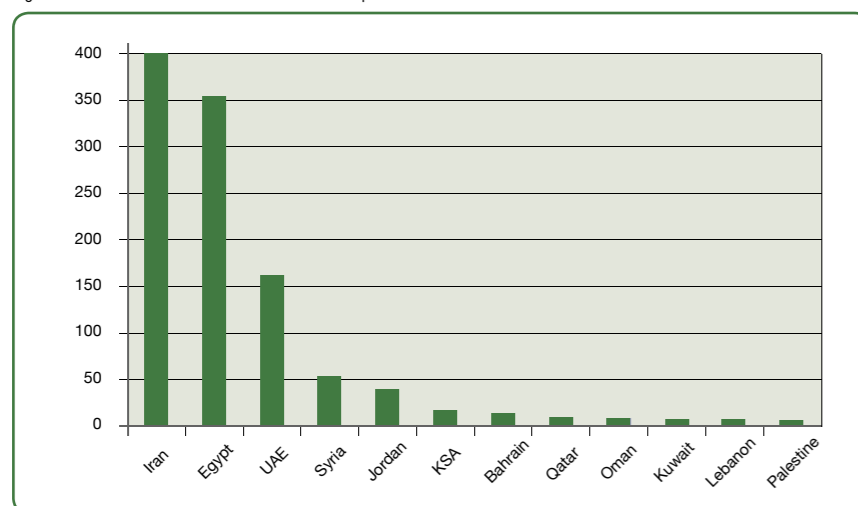
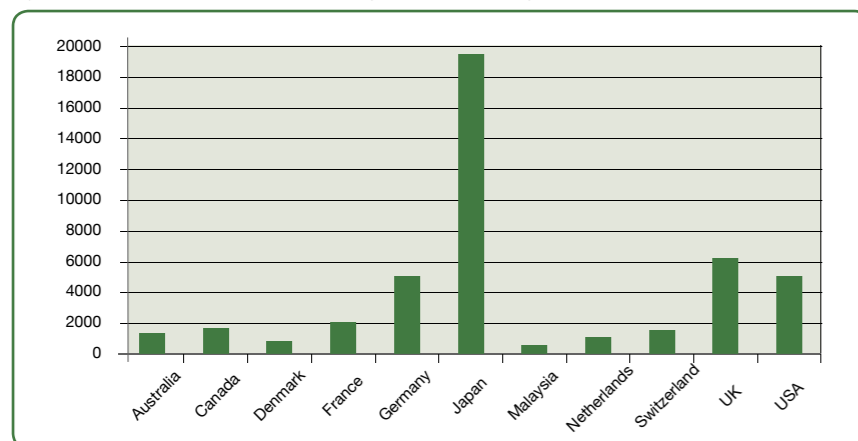


Figure 4: Total Number of ISO 14001 Certified Companies in Some Developed Countries in 2006



exporting or locally. In the new economic environment, these industries particularly need to enhance competitiveness in the areas of standards, quality, metrology, testing, certification, and accreditation.

This increases the importance of international standardization and related issues, including ISO 14000, and 14001, as well as the need to apply such standards for admission to the world markets.

In most GCC countries, standardization infrastructure is plagued by problems from which the science and technology sector as a whole suffers. The main obstacles to ISO 14000 series certification include:

- ▶ Lack of qualified staff
- ▶ Migration of trained personnel to other sectors and countries
- ▶ Lack of testing facilities, and weakness of certification and accreditation bodies
- ▶ Consultancy and certification costs;
- ▶ Lack of commitment by management
- ▶ Lack of market demand
- ▶ Lack of awareness regarding ISO 14000 benefits
- ▶ Low return on investment in certification

### EMS Benefits

The major benefits of ISO 14000 series certification relate to conformity with laws and regulations, and adherence to export requirements and the terms of international environmental agreements. While essentially aimed at environmental targets, ISO 14000 series may also give companies greater credibility with financial institutions, insurance companies, and consumers. Non-participation could have adverse effects on a firm's competitiveness. This may be the case, for example, with organizations in GCC countries where some governments find it difficult to provide the required infrastructure; firms could therefore face institutional and technical obstacles to participating in such schemes. Moreover, in developed countries, there is a growing trend wherein local firms impose environment-related requirements on their suppliers, including those in the developing world. This underlines the need for Arab countries to incorporate

environmental management into business policies to ensure competitiveness.

One of the most noteworthy benefits of an EMS is enhanced environmental performance. This is attained through a formal structure to document and improve performance. In effect, an EMS facilitates environmental compliance. Additionally, a properly functioning EMS reduces the potential for environmental incidents and associated liabilities, which in turn endorses a positive image among the public and community at large. A management system is also an instrument for enhancing an organization's competitiveness in the global marketplace. It establishes the highest level of corporate commitment to the prevention of pollution, continual improvement and reasonable care of the environment. It also implants systematic management processes, which prove advantageous to any organization. In a nutshell, implications of the environmental ISO 14000 series are becoming more and more important, as products and services must increasingly conform to a variety of criteria to ensure fair trade and overcome trade obstacles. Implementation of an EMS requires resources in the form of people, systems, strategy, and structure in order to carry out environmental policy and achieve the objectives and targets. The adoption of ISO 14000 series by GCC states has improved in recent years despite the fact that the existing infrastructure in these areas is still in many cases either not fully developed or partly applied for other objectives that are no longer a priority.

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## Executive Learning Program

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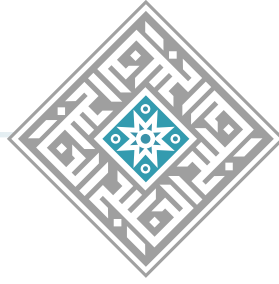
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# Gulf Research Center

Knowledge for All

Based in Dubai, UAE, the Gulf Research Center (GRC) began its activity in 2000 as a privately-funded, non-partisan think tank, education provider and consultancy specializing in the Gulf region. The GRC produces recognized research from a Gulf perspective, redressing the current imbalance in Gulf area studies, where regional opinions and interests are underrepresented.

The GRC believes that the Gulf Cooperation Council has transcended the initial reasons for its establishment, to become a fundamental right of its citizens in the development of the region. The GRC seeks to further this belief by being an institution of distinction and innovative research that advances different aspects of development to ultimately benefit the people of the region.

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