



THE 18TH ANNUAL GCC HEADS OF STATE SUMMIT

by

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(Kuwait City, Dec. 19) – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – the countries of the Gulf Cooperation Council. Their leaders are all here. For the eighteenth year in succession, they are gathered to discuss, deliberate, and, where possible, make decisions on matters of interest and concern to them all.

Practically every summit since the GCC was established in 1981 has convened in a context surrounded by drama of one kind or another. The one presently taking place in Kuwait is no exception. The GCC's decisionmaking body, the Supreme Council (the six Heads of State) and its policy recommending body, the Ministerial Council (the six Foreign Ministers), had hoped that this year's emphasis would be more on economic and private sector business issues than any other subject.

Europe's Reluctance

This was so for several reasons. One, the GCC's single most important economic achievement has long been its Economic Unity Agreement of 1981. More a blueprint and a planning document than something that legally binds the members, the agreement has come a good distance – though not far enough – in the past year. Agreement has been reached on the unified

external tariff the six states would levy upon nearly a thousand incoming goods. However, more remains to be classified in categories at a certain rate (the rate's the rub) to which all six give their assent. Until that happens – today the Secretary General indicated the new target date may be January 1999 – the European Union countries, whose volume of trade with the GCC states is twice that of the U.S., are hanging back from entering into a free trade agreement with the GCC.

Roots of the Dilemma

The polar opposites within the GCC on this matter are the same as last year: Saudi Arabia and the UAE (particularly the Emirate of Dubai). The former embarked upon an ambitious industrialization program more than a quarter of a century ago. The latter lives on trade. From the outset, the Kingdom's manufacturing policies required protection of various kinds. They still do. Dubai's policies have long necessitated the lowest tariff possible. They still do. Neither is "wrong." Both are "right."

In the past year, however, Dubai's (and its sister emirates in the UAE) leverage against everyone else has lessened. Other GCC members, with Saudi Arabia in the forefront, are increasingly insistent that an

end be put to the stated reason for Europe's continuing discriminatory treatment against GCC petrochemical exports to the EU countries. And Dubai increasingly needs Abu Dhabi's cheap gas. Its cheapness has two political price tags: (1) merge your armed forces with the rest of the UAE's (it just did), and (2) don't be the one that precludes six countries from being able to benefit from free trade with Europe, an already very big and soon to become much bigger market for GCC exports.

Consultation and Consensus

The second reason is the head of steam the six have worked up on almost all the fashionable trade and economic issues of the day since last year's summit. Scarcely a week has gone by since then without teams of GCC member states' ministers, deputy ministers, directors general, department heads, technical specialists, and others meeting or exchanging notes and studying reports. The focus in each instance has been on some aspect of some economic or trade issue of pan-GCC interest and concern. No one has been asleep at the wheel.

An Electrifying Thought

Two days ago, the GCC's Assistant Secretary General for Economic Affairs — by far the largest department within the Secretariat — was bursting with pride to tell me about the latest breakthrough of only an hour before. In a meeting with the GCC Secretary General, King Fahd put his final seal of approval on a \$2 billion-plus plan, in the works for years, to tie the GCC members' electricity grids together. Saudi Arabia, Kuwait, Bahrain, and Qatar are to be linked externally first, with the UAE and

Oman linked independently and then tied into these four later.

Other Infrastructural Projects

The prospects for tying the six states' external gas distribution systems together, a scheme also bandied about for years, will be discussed here, too. And talk about chugging up a head of steam, the old dream of building a pan-GCC railroad has also returned. GCC industrialists who have worked on this project for more than a decade are especially bullish on this idea.

Two key Saudi Arabians who have formulated much of the Kingdom's trade and industrialization policies for the past quarter century spoke to me about this a few days ago. They were clear that if a pan-GCC consensus and decision are slow in coming, Riyadh may decide to expand the Kingdom's existing railway system independently of the others. "Once we do that," they said with barely controlled glee, "just watch what will happen to the expansion of business opportunities throughout Saudi Arabia."

Job Creation and Privatization

Two additional reasons have to do with: (1) emerging consensus among the six countries' leaders on the imperatives of job creation and (2) privatization. The first is being manifested as governments continue to crack down on illegal aliens as one among other means to open up positions for their own nationals. Parallel to this approach has been the appearance of a major news article on this topic no less frequently than every other day since last year. And on top of this has been meeting upon meeting at the highest levels — especially among the six countries'

ministries of interior, education, and labor, as well as their chambers of commerce and industry — on how best to get a grip on the phenomenon. As for progress in the area of privatization, the process received a considerable boost with Saudi Arabia's decision three days ago to privatize the Kingdom's telecommunications industry, stating that 70,000 jobs for nationals would follow.

Foreign Ownership

Of additional importance is the further meeting of minds among a growing number of GCC economic, financial, and planning officials on what can be gained from significantly heightened foreign equity participation in economic and commercial ventures in general. Needy cash flow members Bahrain, Qatar, and Oman are leading the way. And interestingly, more and more Kuwaitis are being quoted publicly saying that the benefits — significantly augmented inward investment, heightened access to technology, guaranteed human resource development, and assured international markets — may outweigh the downsides which, among other things, include diminution of sovereignty and control.

Subsidies and Popular Participation

Not to be overlooked are two further factors. The first is the ever-broadening public consensus that the days of massive government subsidies for electricity, water, fuel, specialty crops, etc., are at an end. This growing consensus is combined with comparable concentration on deficit reduction for all six countries along with minimal inflation and increasingly effective monetary and fiscal policies.

The second is the nature and extent of popular participation in the six states' development processes, especially on national economic, financial, social services, and legal issues. Through the holding of direct and indirect elections at the national, provincial and local levels, civic participation has been given a substantial boost throughout the GCC region since a year ago.

Politicus Interruptus

All of this makes for heady stuff among many of the member countries' technocrats. These are the leading lights who work the region's and the member states' economic and business issues on a regular basis. Many were hoping that this summit, more than any in quite some time, would allow even further venting of the members' economic and increasingly private sector-oriented agendas. With luck and leadership, this may yet prove to be the case by the summit's end. Certainly, there will be a full accounting in the reports to be examined at length here by the six countries' heads of state.

But foreign policy issues, too, are clamoring for attention. Such issues are intruding heavily on the limited time available for serious deliberation and decisionmaking on economic matters, let alone those related to defense and security.

The reasons are clear. One has to do with the "Whither the Arab Future" conference in Abu Dhabi six weeks ago. The meeting, the first of its kind in nearly two decades, drew 800 intellectuals, political leaders, and media from all over the Arab world. This was four times the number expected.

Soon after came the Islamic Summit in Tehran. The meeting was attended by representatives from every one of the Organization of the Islamic Conference's 56 member countries. So much for the U.S. foreign policy objective of trying to isolate Iran politically and otherwise. And sandwiched between these two events were: (1) the Middle East and North Africa Summit in Doha, the capital of GCC member country Qatar, and (2) the Iraq-U.N./U.S. inspectors mini-crisis.

Double Standards

In none of these four settings did Washington's overall approach to Mideast issues fare very well. In fact, numerous U.S. policies were lambasted. The reasons were manifold. Whether the issue was Washington's dual containment policy aimed at Iran and Iraq, the U.N. sanctions against Iraq, the unilateral U.S. embargo against Iran, or the Clinton Administration's uneven-handed brokering of the Mideast peace process, the regionwide indictment of the U.S. for having double standards — one for Iraq, Iran, Libya, Sudan, and Syria, that is

perceived as firm and strident, and another for Israel, that is viewed as being characterized by timidity and acquiescence — was pounded home.

Washington's ongoing rhetorical flourishes and diplomatic footwork notwithstanding, the end result has been less than comforting. In more ways than one, the fact that U.S. officials were recently so roundly rebuffed, by allies and adversaries alike in the Gulf, has had an impact on those gathered in Kuwait. After all, the GCC leaders also came here to deliberate weighty matters of interest and concern to their and their allies' national security and key foreign policy objectives.

For the moment, on matters pertaining to U.S. policies towards the Arab countries, the Middle East, and the Islamic world as a whole, all is not well. Despite this, by the summit's end, it is likely that these half dozen polities — whose vital strategic importance remains a constant in international affairs — will manifest a measure of strength and unity of analysis and purpose that, to many, may come as a surprise.

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