



## *International Relations (Gulf Region) A Master of Arts (M.A.) Distance Learning Program*

*The Free University of Berlin  
In Cooperation with the Gulf Research Center  
Dubai - November 12-16, 2006 and March 4-13, 2007*

With globalization on the rise and a multitude of international issues such as migration, new security challenges and environmental degradation at hand, an exponentially growing demand exists for international relations-related expertise as well as transnational understanding and cooperation. Responding to these imperative needs, the Free University of Berlin (FU) – in cooperation with the GRC – started offering a Masters of Arts (MA) degree program in International Relations (IR) in November 2006.

The M.A. program is a program of excellence aspiring to bring together young professionals from the GCC countries and beyond in order to enhance their career perspectives in IR-related fields and further qualify individuals to work in government agencies, private enterprises, international organizations and NGOs. It is a two-year full-time program, comprising 120 credit points according to ECTS standards. The degree is certified by the Free University of Berlin, in conjunction with all relevant German academic standards and regulations.

The course consists of different modules divided into four sections of introduction and international relations theory, core curriculum, mandatory issues and



### *In This Issue*

#### *Events*

**1**

International Relations – Gulf Region  
A Master of Arts (M.A.) Distance Learning  
Program  
Dubai - November 12-16, 2006

Fostering EU-Italy-GCC Cooperation  
Rome - December 13, 2006

NATO-Gulf Cooperation in the Framework  
of the Istanbul Cooperation Initiative  
Riyadh - January 21, 2007

#### *Araa/Gulf Views*

**8**

A Pivotal Visit at a Critical Time  
*Christian Koch*

#### *Insights*

**10**

EU-GCC Cooperation in Money and Finance  
*Prof. Norbert Walter*

Prospects for EU/GCC Energy Cooperation  
*Adnan Shihab Eldin*

#### *Resources*

**16**

Speech by Dr. Angela Merkel, Chancellor of  
the Federal Republic of Germany on  
“Challenges for European Security Policy”  
in Abu Dhabi, UAE, February 5, 2007

#### *Chronology of Events*

**19**

#### *Forthcoming Events*

**22**

practical training. The initial courses allow from an introduction into the tools to be used throughout as well as a through understanding of existing and relevant IR theories. The core curriculum involves issues such as globalization, European politics, international law, international political economy and international security. In the third part, specific issues will be focused on, including mega-cities as new sites of governance, problems of migration, citizenship and identity and the overall subject of culture and IR. Finally, the modules involve various aspects of practical training and intercultural communication, conflict management and simulation exercises.

To assist the students in their work, the program is based on state-of-the-art communication technology with web-based study modules integrating multimedia and providing an exciting, challenging learning experience. The learning management system "Blackboard" gives easy access to a virtual library and Web-based data, including relevant course material and multimedia files designed to support the studies. Self-study and interactive elements online are combined with eight weeks of in-house classes in Dubai and Berlin. In addition to attending face-to-face classes with fellow students and tutors, students will join roundtables and networking dinners with IR experts and



relevant economic actors to discuss highly controversial up-to-date IR topics.

To find out more about the program, contact either the Free University at [IRonline@zedat.fu-berlin.de](mailto:IRonline@zedat.fu-berlin.de) or the GRC under [IRonline@grc.ae](mailto:IRonline@grc.ae) or call +971 4 3247770, extension 435.

The new round of classes will begin in October 2007. Application Deadline is May 15, 2007.



مركز الخليج للأبحاث  
المعرفة للجميع

## Journals and Newsletters Published by GRC

- ▶ GRC Economics Research Bulletin
- ▶ Gulf-Asia Research Bulletin
- ▶ Gulf Monitor



- GRC Environment Research Bulletin ◀
- Security & Terrorism Research Bulletin ◀
- GRC Newsletter ◀

# *Fostering EU-Italy-GCC Cooperation The Political, Economic and Energy Dimensions*

*Rome - December 13, 2006*



**Gulf Research Center**  
Knowledge for All



**Istituto Affari Internazionali**

As a follow-up to a seminar on EU-GCC relations held in November of 2005, the Gulf Research Center and the Istituto Affari Internazionali in cooperation with the Ministry of Foreign Affairs in Italy held a one-day workshop on how to foster EU-Italy-GCC Cooperation. The meeting brought together policy officials and academics from both Europe and the GCC countries who engaged not only in an assessment about the current status of the EU-GCC relationship but also focused on what steps could be taken to improve on the current level of cooperation, which undoubtedly has not fulfilled the expectations that have been associated with mutual ties. Three concrete areas represented the framework around which the discussions were held: EU-GCC cooperation in the context of globalization and regional developments; organizing a regional security system in the Gulf; and the security of European energy supply, the role of nuclear energy and the Gulf countries' contribution.

That the Gulf holds enormous importance for Europe not only from an energy and economic but also increasingly from a strategic perspective was not subject to any intense discussion. While there exists a debate about the continued centrality of oil in the long-term, the fact that the energy market is unlikely to be confronted with a revolutionary shake-up in the very-near future, suggests that EU-GCC relations will remain relevant. Yet, it is equally clear that ties have not produced their desired results. Numerous reasons were given to explain why this is the case. For one, the integration process in each area is driven by different motivations with the EU's process basically being economy-driven, while in the GCC security imperatives dominate the integration debate. Second, bilateralism remains very prominent on both the EU and the GCC sides. Third, economy and trade continue to be the key issues with the result that other important potential areas, such as a more substantial cultural dialogue or better people-to-people contacts, do not receive the necessary attention or resources. In connection to that, it is not very clear

for Europe in what areas outside of energy the benefits of a stronger relationship lie.

Given the shortcomings, a theme that kept dominating the discussions throughout the day was whether it would be useful to continue to deliberate on the relationship solely on the basis of EU-GCC ties or whether that framework is becoming outdated given current regional developments. The fact that the EU has fostered a number of approaches to the Middle East region – EU-GCC, the European Mediterranean Policy, the European Neighborhood Policy, the critical dialogue with Iran, a separate relationship with Yemen – led to the point that EU policies have actually helped to divide the region more than integrating it or as one commentator put it, cutting it off from its hinterland. The EU-GCC framework is furthermore seen as not meeting the challenges which both sides see themselves confronted with in the post-9/11 environment including on the EU side an increased anxiety over energy supplies, and on the GCC side, concerns over rising regional instability that includes an imploding Iraq, an assertive Iran and a fragile state in Yemen.

The current debate has thus to be understood within the context of a general strategic shift occurring as far as the region is concerned. For one, there is a more focused orientation of the Gulf towards Asia spurred by high energy demand, a rise in investments and a general sense that relations with the West have not served the the region's cause. On the energy front, GCC exports go largely to Asia while exports to the EU continue to decline. A loss of mutual interest is therefore a distinct possibility. Second, it needs to be recognized that the traditional geopolitical balance in the Gulf has shifted with changes occurring at the state, identity, socio-economic and strategic levels. On all fronts – whether it is the GCC-Iran relationship that has moved from détente to Cold War, the deepening of Sunni-Shia differences, an Iraqi economy in free fall, or an Arab region that still has not overcome the

wound of the 1990-1991 Kuwait crisis – current trends point toward a unchanged or even worsening situation with regard to regional stability.

Such a situation calls for a different type of security arrangement. While the present balance of power approach is preventing any type of cooperative mechanisms from taking hold, there is general agreement that a new approach is imperative. But this can only be on the basis of an inclusive dialogue, a manageable but multi-dimensional agenda, and clear support by external forces. Particular suggestions that were put forward in this context included the engagement of both the EU and the GCC states in an Iraq Coordination forum, cooperation in countering terrorism and drug trafficking, and a dialogue on environmental issues.

The suggestion that the regional environment had changed to the point where the EU-GCC framework was no longer sufficient then turned to a consideration of possible alternatives. One suggestion was for the revival of the Euro-Arab Dialogue whereby it would be possible to consider the broader strategic questions impacting on the Middle East region as a whole. For some, while the EU-GCC relationship is seen to be useful, a broader dialogue at the Euro-Arab level was considered absolutely necessary. Second, the question was raised whether or not more time should be invested in strengthening the Arab League which continues to exist as the only pan-Arab grouping under which a comprehensive Middle East approach could be considered. Both these suggestions reflect the fact that linkages across the Middle East are currently stronger than ever to the point that Gulf issues cannot be separated from the rest.

Participants agreed that Europe needs to show clarity in purpose and more decisiveness when it comes to regional initiatives and policy. Nevertheless, it is equally important that a possible conclusion to the long-awaited EU-GCC Free Trade Agreement should not be portrayed as providing the solution under which ties between the two sides can regain their footing. In this context, the GCC side also needs to recognize that substance can only be achieved if both sides act in a reciprocal manner.

In conclusion, the meeting agreed that there exists a wide scope for following through on a more ambitious agenda regarding the present EU-GCC ties. The conclusion to the FTA will not change relations but it will certainly create a window of opportunity that must be seized. Specific areas mentioned that could be capitalized on include cooperation in the development of strategic oil stocks, the improvement of Gulf education systems through EU expertise, and the combination of Gulf investments and EU know-how in the development of the neighboring Mediterranean economies.

**IF IT HAPPENS  
IN THE GULF  
AND  
IT IS  
REPORTED  
IN THE MEDIA  
NOW YOU CAN  
FIND IT ALL  
IN  
ONE PLACE**



**gulf  
in the  
media**

informative. in-depth. independent.

**gulfinthemedia.com**



# *NATO-Gulf Cooperation in the Framework of the Istanbul Cooperation Initiative*

*January 21, 2007*

*Riyadh, Kingdom of Saudi Arabia*

*Conference co-sponsored by:*



Under the heading of “Cooperation within the Framework of the Istanbul Cooperation Initiative,” the Gulf Research Center, the Institute of Diplomatic Studies of the Ministry of Foreign Affairs, Saudi Arabia, and the NATO Public Diplomacy Division brought together policy officials, defense specialists and academics in a one-day symposium on the relationship between NATO and the GCC countries.

In his opening address, H.R.H. Prince Saud al-Faisal, Minister of Foreign Affairs of the Kingdom of Saudi Arabia, underlined the fact that the Middle East represents the most unstable region in the world due to such unresolved situations as the Arab-Israeli conflict, Iraq, Afghanistan and Somalia. In this regard, it is important to bring about international cooperation to create greater stability in the region. Prince Saud stated that the end of the Cold War provided a period of hope where standards of international legitimacy would prevail. NATO falls under sense of optimism and as such the kingdom is watching closely the development and contribution that NATO could make towards regional security and stability. While he indicated that the importance of the workshop was to increase the understanding of the Istanbul Cooperation Initiative (ICI) of NATO, he also said that the kingdom would study NATO’s proposal for Saudi Arabia to join the initiative.



*Saudi Foreign Minister Prince Saud Al-Faisal and  
NATO Deputy Secretary-General Alessandro Minuto Rizzo*

Following the Foreign Minister’s address, NATO Deputy Secretary-General Alessandro Minuto Rizzo stated that his presence in Riyadh was a symbol of the new NATO and the reflection of a new international environment where countries of different backgrounds could come together to discuss issues of common concern. The meeting was thus seen as a welcome opportunity to discuss the rationale of cooperation and focus on the possibilities of greater cooperation. The Deputy Secretary-General stressed that NATO had become a global force with activities stretching from Kosovo to the Mediterranean, Afghanistan, Pakistan and Darfur. With its several missions and their success, NATO had shown that it can bring the international community together.

As far as Saudi Arabia was concerned, Rizzo underlined the importance of the kingdom to the stability of the region and clearly stated that NATO would very much value Saudi Arabia’s participation in the ICI. He emphasized that the ICI was about enhancing mutual understanding, increasing transparency and engaging in areas of mutual cooperation, and as such it would be in the kingdom’s interest to look more closely at the potential benefits that NATO could provide. The Deputy Secretary-General also said that the participation of many key officials from Saudi



Arabia and the rest of the GCC states in the meeting was certainly a positive sign.

Following the two key speeches, the conference moved to a roundtable format with short presentations followed by open debate. Within this framework, the two initial questions on which participants focused were the nature of NATO as an organization today and, more specifically, the benefits that cooperation with NATO would bring to the GCC states. With its expanded membership and new missions, it was asked whether it was still possible to characterize NATO simply as a defense alliance or instead one would need to consider NATO as a new international police force. In response, it was pointed out that NATO is a political and military organization that primarily uses diplomacy but backed by military force. Furthermore, NATO had adapted to meet new concerns and challenges and seeks to develop partnerships within which shared interests can be brought together.

On the question of what exactly NATO can provide the GCC states, the opinion among participants was more divided. NATO officials continually stressed that the ICI was about progressive cooperation, that what was being offered was the same type of cooperation as available to the countries engaged in the Mediterranean Dialogue (MD), and that the GCC states were free to decide whether they saw it as being in their interests to pursue cooperation or not. There would be no imposition except in agreement.

At the same time, it was made clear what NATO is not. For example, the GCC states should not expect NATO to provide military protection within the ICI framework as the ICI does not offer

a security guarantee. NATO can also not be viewed as the answer to all the security challenges with which the Gulf region finds itself confronted. Moreover, NATO does not seek and should not be seen as a replacement for other existing treaty relationships. It plays a complementary and not a substitute role.

*NATO officials continually stressed that the ICI was about progressive cooperation, and that the GCC states were free to decide whether they saw it as being in their interests to pursue cooperation or not. There would be no imposition except in agreement*

In terms of some of the specific issues of concern that were raised, the following can be listed:

**Overcoming Misperceptions:** There was agreement from both the GCC side and NATO that misperceptions still have to be handled and overcome. As was pointed out, different perceptions exist at the public, elite and official levels. Certainly, NATO's image on the Arab street remains weak and this perception cannot just be wished away. To overcome this, several participants urged NATO to play a more active role in helping resolve the Arab-Israeli conflict. In response, it was pointed out that only if the parties themselves would come to an agreement, only if both sides ask for international protection, and only if a UN Security Council resolution provides the proper mandate, could NATO assume such a role.

**Relationship of NATO with United States:** Numerous participants argued that NATO was nothing more than an extension of US policy in the region and as such the ICI would not amount to anything new as the US was already firmly entrenched in the Gulf. As pointed out, however, NATO is an organization that operates on the concept of consensus and as such the United States is only one member of 26. Decisions cannot therefore be imposed by the United States and as underlined there is no unilateralism within NATO. One example cited was that NATO did not get involved in Iraq because there was no consensus on this issue. At the same time, it was mentioned that it is very difficult to get 26 signatories to agree on one policy and therefore NATO risked the possibility of being seen as nothing more than a paper tiger.

**Ambiguity of initiative:** Several participants warned the GCC countries of placing too high an emphasis on the benefits to be gained from participation in the ICI. Specifically the added value that the initiative provides is not sufficiently clear. From a conceptual point of view, it was also not clear exactly against what enemy an alliance relationship with NATO was directed against. Here, it was warned that one should be careful about what one gets engaged with.

**Discrepancy on what ICI is about and what GCC needs:** As far as the Gulf region is concerned, there is a need for a comprehensive security system under which the key issues of Iran, Iraq, Afghanistan and the Arab-Israeli conflict can be dealt with. Several participants voiced concern that on all the critical fronts, NATO's initiative falls short because it leaves the grand issues uncovered. For example, it was stressed that NATO's stance on the Iranian nuclear issue was important. For many, it was not clear that NATO provides the strategic vision which the region is looking for. Another criticism was that the initiative itself remains far too vague and as such the value added that NATO extends to the region is not clear.

Yet, it was also argued that there are no security repercussions if one decides to go ahead with participating in ICI. One person said it was also in the GCC's interest to assist NATO in better defining its role in the region and that it would be a mistake to close the door prematurely. Specially, regional policy officials should examine how NATO could assist in the development of indigenous security structures which is something the region desperately needs. The fact that the GCC countries have failed to overcome their own security shortcomings and continue to rely on external protection should thus make the region open for new ideas. By getting NATO involved, it was argued, the organization itself would have a stake in protecting the region. If NATO remained on the outside, however, the regional security environment would be dominated by bilateral mechanisms and

thus continue to be unstable. NATO also provides an institutionalization in relations, another area in which the region requires assistance.

*Overall, there was broad agreement that NATO needs to take the concerns of the GCC states seriously and that work is required to overcome existing misperceptions*

**Bilateralism vs. Multilateralism:** It was mentioned that the ICI falls short of providing the GCC states with concrete benefits and that the countries could gain the same advantages through the various bilateral relationships that already exist. Furthermore, it was suggested that ICI has not proven effective as it only involves four GCC states. At the same time, ICI is not closed to becoming a multilateral effort at the NATO-GCC level.

### **The Way Forward**

Overall, there was broad agreement that NATO needs to take the concerns of the GCC states seriously and that work is required to overcome existing misperceptions. There was also broad agreement that ICI does present benefits for the GCC states and that these opportunities need to be explored further. What is important is that both sides are clear about what the ICI actually presents. Thus, while NATO is a model to look at, it is only one model and not the solution to all regional issues. ICI also offers security cooperation and not a security guarantee. Simply stated, the ICI is about enhancing and improving security readiness. In this context, what ICI represents is a beginning that can be re-shaped and re-formed to fit emerging realities.

Certainly one way to move the relationship between NATO and the Arab Gulf states forward would be to have Saudi Arabia and Oman join the ICI as this would put all states in the region on the same footing and would make it easier for NATO to design common approaches. Outside of this goal, there was consensus that political dialogue should be expanded. Third, better and more pragmatic cooperation was mentioned along the lines of the practical menu that has already been developed by NATO. This menu includes the areas of border security, the fight against terrorism, defense reform, public diplomacy activities, proliferation of weapons of mass destruction, small arms and light weapons, civil emergency planning, crisis management, military-to-military contacts, conceptual planning and operational aspects of peace support operations, military exercises and related training activities, and military education, training and doctrine.



## *A pivotal visit at a critical time*

The visit of German Chancellor Angela Merkel to the Middle East and in particular to the three member states of the Gulf Cooperation Council (GCC) – Saudi Arabia, United Arab Emirates and Kuwait – could not come at a more opportune moment. Germany currently holds both the presidency of the European Union and of the G-8 and thus its input in the international policy debates which are dominating global headlines are of very high value. Given its balanced approach to international relations, Germany is increasingly being sought out as an important partner when it comes to the key challenges with which the world finds itself confronted. That many of these concerns are dominated by Middle Eastern issues underlines the importance of her trip.

Since the beginning of December 2006 alone, Chancellor Merkel has held talks with Egyptian President Mubarak, Israeli Prime Minister Olmert, Palestinian President Abbas and Jordan's King Abdullah. On her return from a recent visit to the region, US Secretary of State Condoleezza Rice stopped in Berlin for talks with the German government. Foreign Minister Steinmeier has visited the region no less than five times since the Lebanon war of the summer of 2006. All of this shows an increased German political engagement with the Middle East as part of a growing awareness that such involvement is part and parcel of a broader European security strategy. It also proves that results can be achieved with the Middle East Quartet meeting for the first time in four years on February 2 in Washington.

Germany of course continues to have strong economic interests in the region. With the GCC states offering tremendous potential for business and investment, Germany's volume of trade with the region has topped the 13 billion euro mark, a doubling since the year 2000. As has been the case in the past, the chancellor is accompanied during her visit by a strong economic delegation headed by Economics Minister Michael Glos. At the same time, Germany's broader commitment on the ground in the greater Middle East has steadily grown in recent years and represents the main factor for the current political engagement. In Afghanistan, 2,900 German troops participate as part of the International Security Assistance Force (ISAF) since 2003. Germany heads two ISAF Provincial Reconstruction Teams in Kunduz and Feyzabad and provides the Regional Commander (North), based in Mazar-e-Sharif. On January 30, 2007, Germany also hosted the Joint Coordination and Monitoring Board meeting for Afghan reconstruction in Berlin.

As part of UN Security Council Resolution 1701, German naval units deployed off the Lebanese coast took command of the Maritime Task Force from Italy in October 2006 to assist in securing the Lebanese coastline. In total, 2,400 naval personnel have been committed. Furthermore, during the Lebanese reconstruction conference held in Paris on January 25, Germany raised its pledge for 2006 and 2007 by 30 million euro, totaling 103 million euro as part of the overall EU commitment of 500 million euro.

Overall, there can be no doubt that Germany's engagement is to be welcomed, in particular because this also includes the greater involvement of the European Union. Overall, the past few years have seen the increased recognition that events in the Gulf – from Iraq and its broader implications, to Iran and its dangerous nuclear program, to terrorism and the need to find a common front, and to energy security where the Gulf plays the pivotal role – are having an impact beyond the region proper. This includes the unresolved political crisis in Lebanon and the recognition that the Arab-Israeli conflict continues to inflame tensions far beyond the Palestinian territories. In all these instances, the realization has taken hold that the Gulf is the main geopolitical arena for the coming decade. Germany, as a main European power, cannot avoid this reality.

It is in light of the above factors that the chancellor's visit contains a second important variable that needs to be emphasized. The Gulf currently finds itself in a desperate situation where the volatile security environment could further implode at any moment. This in particular includes the possibility of another conflict situation between the US and Iran at a time when

Iraq shows no signs of calming down. Unless immediate action is taken, the overall environment will lead to a further growth of intolerance and extremism. The challenges that the Gulf confronts cannot be solved through military means. Instead, what is required are political solutions. In this situation, Germany and the European Union are not only an accepted partner, but a wanted and a needed one.

What concretely can Germany and the EU provide the region with? There are three distinct suggestions. One is to improve its public diplomacy in the region where people remained far too uninformed about the EU's policies and intentions. As far as the GCC states are concerned, Germany brings to the table exactly what the Gulf requires in its present volatile phase: an emphasis on multilateralism through the EU and NATO, a focus on long-term stabil-



This article is reproduced from Araa – published by the GRC in Arabic and electronically available in Arabic and English at [www.grc.ae](http://www.grc.ae) and [www.gulfintimedia.com](http://www.gulfintimedia.com)



ity, and an ability to maintain open lines of communications with all of the regional actors, be it the GCC States, Iraq, Iran or Yemen. Germany and the EU are capable of promoting dialogue, bridging communication gaps and encouraging confidence building, all of which are absolutely essential elements for the foundation of a stable Gulf security architecture in the near future. Germany and the GCC States also agree on the broad outlines of the major regional and international issues – from Afghanistan to Iraq to the Arab-Israeli conflict. Germany and the EU can further promote a greater degree of convergence and cooperation between the GCC and the EU as institutions. But all of this needs to be communicated to the public at large where momentum can be created that can translate to better effectiveness.

Second, the EU needs to act as a conduit to key actors in the region. The first is the United States, whose policies are proving catastrophic for the Gulf's short-, medium- and long-term stability. By injecting its voice into the policy debate, Europe can offer a moderating complement to US policy that will limit the more extreme tendencies of US unilateralism. It has to finally be understood that without a competent voice of its own, Germany – with Europe alongside – will ultimately be left to deal with the consequences of a failed American policy.

The same can be said with regard to Iran, which also needs to comprehend the dangerous direction its policies are paving for the

region. Iran should stop living under the illusion that the failed US strategy in Iraq automatically opens the door for Tehran to uninhibitedly spread its hegemony throughout the region. It does not. For example, Europe should increase the pressure on Iran to come to the negotiating table on its nuclear policy by re-emphasizing that the EU-3 proposal from June 2006 remains firmly on the table. There are still plenty of options to avoid a military scenario. Here again, Germany and the EU can offer what nobody else has been able to so far – a long-term strategic vision around which all sides could orient themselves.

Third, the EU should openly support regional GCC initiatives that could impact positively on the broader region. This includes the Saudi-inspired Counter-Terrorism Center to be established in Manama, Bahrain; the proposal for a Weapons of Mass Destruction Free Zone for the Gulf as a precursor for a broader Middle East Zone; and full support for the Peace Plan from King Abdullah from Saudi Arabia for a resolution of the Arab-Israeli conflict as put forward in 2002 and accepted by the Arab Beirut summit. The bottom line is that this is a unique opportunity for Germany to promote a European alternative and develop a common European policy that will help the region begin the process of overcoming the long-standing practice of mutual antagonisms. Chancellor Merkel's visit could prove pivotal in this regard.



Published bi-monthly, the Gulf Monitor provides in-depth analysis and succinct insights into key political, economic, security, social and environment issues that are impacting the Gulf region. More importantly, it extends a regional Gulf perspective on these issues thereby making available a unique and until now not very common point of view.

# Gulf Monitor

## Your Window to the Gulf



**Gulf Research Center**  
Knowledge for All



**Discrimination and Islamophobia in Europe: A 21st Century Reality**



**Russian President Putin's Visit to the Gulf and Likely Implications**



**Conceptual Framework for Political Reform**



**Report on the International Defense Exhibition and Conference (IDEX 2007)**



**When a Militia Is Not a Militia**



**Microfinance in the Gulf**

Download the third issue from  
[www.grc.ae](http://www.grc.ae)



**Vol. 1  
Issue  
3**

## *EU-GCC: Cooperation in Money and Finance*

The following is a shortened paper of a presentation made during the workshop on “The EU and the GCC: Challenges and Prospects for Cooperation in 2007”, held in Berlin, January 30, 2007. The workshop was sponsored by the Bertelsmann Stiftung, the German Federal Foreign Office and the Gulf Research Center. In subsequent issues, additional papers from the meeting will be made available.



Prof. Norbert Walter  
Chief Economist  
Deutsche Bank Group

The ongoing EU-GCC negotiations on a Free Trade Agreement should be brought to a successful end in the near future. While the GCC countries are the sixth largest export market of the EU, the latter is the GCC member states' number one trading partner. A joint EU-GCC free trade area (FTA) aims to progressively liberalise trade in goods and services and develop, inter alia, rules on investment and intellectual property rights. Thus, we expect a FTA would not only foster economic integration among the two blocs, but also strengthen financial ties between the EU and the GCC countries in particular regarding FDI and portfolio investment flows.

### **A Gulf Common Market is desirable...**

The economic cooperation between the EU and GCC countries should be supported by the creation of a Gulf Common Market entailing a free movement of goods, services, capital and labour (“four freedoms”). This requires, inter alia, the establishment of a legal system of common rules for the GCC countries. The GCC countries have made progress in (internal) economic cooperation by embarking on a free trade union in the early 80s, being now on the threshold of establishing a customs union and preparing a Gulf Common Market. As far as the latter is concerned some progress has been made under the framework of the Unified Economic Agreement, for instance regarding the liberalisation of wholesale and retail trade, ownership of shares and real estate. But much remains to be done to create a true single market for goods, services, capital and labour in the future.

A clear signal is needed for action against the low level of trade integration among the GCC countries. The inter-regional trade of the GCC countries is, on average, only about 5% of exports. This reflects, inter alia, a lack of export diversification. By contrast, most EU countries export much more than 50% to other EU partners (e.g. Germany: 64%). While exports of the GCC

countries to the EU are dominated more or less by oil and oil-related products, EU exports to the GCC are diversified with focus on machinery and transport materials (56%), in particular power generation plants, railway locomotives and aircraft. The international trade pattern of the GCC countries is very similar: Asia is by far the largest export partner while the US account only for about 10% of total exports and the EU for about 15%. However, the EU is the most important import partner.

What lessons are to be learnt with regard to trade? Trade integration needs open markets and a reliable common legal framework. The development of non-oil industries remains a key task. Export diversification should be a main objective both with regard to the regional pattern and the product range. There is ample scope to expand non-oil-exports to Europe.

### **...supported by a single currency**

In order to support the creation of a domestic GCC market, the GCC countries plan to establish a monetary union and to adopt a common currency in 2010, with Oman joining at a later date. Foremost, the decision to introduce a common currency is, of course, a political one. The planned monetary union should be devised as a stability union. Regarding the economic and monetary conditions, the European Monetary Union (EMU) may serve as successful role model in many dimensions.

*The common central bank should be given - like the European Central Bank - a clear and independent mandate for the common monetary policy. Above all, the central bank's policy aim should be price stability. In order to achieve this key policy goal, it needs independence*

Multiple parallel steps need to be undertaken to implement a common currency area. They include the design of a monetary institution, harmonization of fiscal policy to some degree, agreement on macroeconomic convergence criteria in order to qualify for the monetary union as well as the technical preparations for the changeover to a single currency. Obviously, the Maastricht convergence criteria for EMU participation



may be used as a rough guide to evaluate whether a country can qualify for the planned monetary union. The Maastricht criteria imply low inflation rates, converging interest rates, stable exchange rates and sound fiscal policies (measured by the overall budget deficit and public debt in % of GDP).

Ex-ante, macroeconomic convergence criteria before the establishment of a joint monetary union should ensure a high degree of cohesion of the GCC's economies. In the best case, the GCC will transform during the convergence period towards an optimal currency area (OCA), being able to absorb asymmetric shocks without having monetary policy and the exchange rate as national policy tools. The GCC countries should continue to closely cooperate regarding their economic and fiscal policies in order to realise an appropriate policy mix between monetary and fiscal policy.

Obviously, the GCC members should not adopt the EU's convergence criteria on a one-to-one basis. They have been outlined for the specific EU member states requirements. However, modification to the economic requirements of GCC states should be possible. For instance, the GCC countries have shown a high degree of exchange rate stability due to the 20-year de facto pegs against the US dollar. Thus, a smooth participation in an exchange rate mechanism (like the ERM II in Europe) for at least two years does not seem to be necessary.

Focus should be put, however, on the inflation criterion as it is crucial for the competitiveness of the non-oil sector which is gaining in importance in the longer run. Due to the robust growth of the GCC countries of about 7% on average in recent years, inflation rates have risen to 4-5% on average which is high by historical

standards. Inflation rates vary widely from close to 1% in Saudi Arabia and Oman to about 6% in the UAE and even about 9% in Qatar. Such wide differences in inflation are not a good starting point for a monetary union. Nevertheless, a relative formulation of the inflation criterion similar to the Euro model seems possible (average of the three best performers plus 1.5 percentage points or better plus x which should be lower than 1.5 percentage points in Europe).

*The economic cooperation between the EU and GCC countries should be supported by the creation of a Gulf Common Market entailing a free movement of goods, services, capital and labour ("four freedoms"). This requires, inter alia, the establishment of a legal system of common rules for the GCC countries*

The common central bank should be given - like the European Central Bank - a clear and independent mandate for the common monetary policy. Above all, the central bank's policy aim should be price stability. In order to achieve this key policy goal, it needs independence. Additionally, the common central bank should be banned to finance budget deficits of member states in order to prevent governments from monetizing public debt. A monetary union needs to be sustained by fiscal discipline in order to avoid an overburdening of the common monetary policy by a too lax fiscal policy. There is a potential free-rider problem after the entry into the monetary union as rising national interest rates or a depreciating exchange rate are no longer available to discipline



an unsound fiscal policy. Thus, a mechanism should be installed to secure fiscal discipline within the planned monetary union among GCC countries. The fiscal rules for member states could be designed similar to those of the reformed stability and growth pact of EMU.

Fiscal rules should take into account two important aspects. Firstly, a certain degree of flexibility of fiscal policy is necessary over the business cycle as monetary and exchange rate policies are no longer available as national policy tools and shock absorbers. This implies that the automatic fiscal stabiliser must be allowed to work in a downswing, while good economic times must be used for fiscal consolidation. Secondly, the fiscal rules should allow for the fact that the GCC countries are vulnerable to volatile developments in the oil market over time. This is also important because GCC countries have different positions regarding oil production and oil reserves with varying repercussions for the GCC countries' fiscal balances. A uniform rule thus seems to be inappropriate.

Last, but not least, a smooth changeover to the single currency requires solid technical preparations. This is also essential in order to fully reap the benefits of the common currency in terms of eliminating currency-related transaction costs and risks, stimulating intra-regional trade (which amounts to only 5% of exports) and creating an efficient single financial market.

The governments' prime responsibilities are to take joint political decisions on the changeover scenario and the provision of a consistent legal framework at the level of the monetary union as well as on the national level. This includes, for instance, the decision on the changeover scenario for the book money and cash as well as the fixing of the conversion rates. Additionally, it requires a consistent communication strategy which essentially secures the acceptance of the common currency from the very beginning.

Enterprises and banks have to organize their changeover to the single currency within this framework. They have to meet a strategic challenge, for instance pricing the products in the new currency, managing the changeover of their IT-systems, and communication regarding customers, suppliers and employees.

One more lesson should be learnt from European changeover to the euro: There should be no lengthy transition period of three years between the introduction of the single currency as book money and the introduction of cash because this created uncertainty and undermined confidence. Notes and coins should be produced in time.

## Executive Learning Environmental Management: Promoting Innovative Ideas for the Gulf region

### The Program Package includes:

#### ▀ Training

- Clean production & clean technologies
- Waste treatment
- Life Cycle Assessment, EIA, Green Dot Recycling System
- EMAS, ISO 14000 standard series & EMS application to energy sector
- Meetings with German Parliament members and the Heidelberg City Mayor

#### ▀ Visits to:

- a chemical company
- energy plants (SWM; coal, gas, wind)
- biomass facilities & biomass-to-liquid plant
- MSW Incinerator
- Compost Plant

#### ▀ Workshop

For further information:  
Please download our flyer on [www.grc.ae](http://www.grc.ae)  
or contact: Dr. Mohamed Raouf,  
Senior Environment Researcher,  
GRC, email: [raouf@grc.ae](mailto:raouf@grc.ae)

Course language: English.  
Fees: 3000 EUR.

Germany  
June 18-26,  
2007



**Gulf Research Center**  
Knowledge for All  
GRC, Dubai, UAE



Institute for Energy and  
Environmental Research (IFEU)  
Heidelberg, Germany

## Prospects for EU/GCC Energy Cooperation

The following is a shortened paper of a presentation made during the workshop on “The EU and the GCC: Challenges and Prospects for Cooperation in 2007”, held in Berlin, January 30, 2007. The workshop was sponsored by the Bertelsmann Stiftung, the German Federal Foreign Office and the Gulf Research Center. In subsequent issues, additional papers from the meeting will be made available.



Adnan Shihab Eldin  
Former Acting Secretary  
General, OPEC

Global demand for oil is set to continue to grow, mainly for the transportation sector. However, the structure of the demand growth has changed.

Although developing countries now account for 3/4 of the growth, per capita consumptions in countries like China will remain far less than in OECD. Notwithstanding the “peak oil” noise, the conventional oil resource base is large and sufficient to satisfy the growing world demand for many decades, aside from the vast potential of unconventional sources. According to most recent USGS estimates, there are about 2.5 barrels of ultimately recoverable conventional oil for every barrel that has been consumed since the modern oil era. In contrast, the risk of climate change is a more genuine challenge to fossil fuel use in the 21st century. With OPEC’s share of global reserves close to 80%, and non-OPEC conventional oil growth reaching a plateau and beginning to decline by 2015, a structural change in oil supply is looming. OPEC (mainly GCC & Gulf States) will be providing most of the incremental barrel and will assume a rising share of the expanding global oil trade, particularly with Asia.

### The Expanding Role of the GCC Countries and Global Oil & Gas Markets

GCC countries currently account for ~ 42% and 23% of the global oil & gas reserves while their production constitute only 23% (18mbd) and 7% (197 BCM, 3.5mboe/d). The region’s oil exports at 16mbd are of major impact to the global oil trade i.e. a share of around 40%. While gas production in the past has been directed mostly to the domestic market, the flow of LNG exports from Qatar, Oman and Abu Dhabi is rising, currently at 90 BCM.

With a combined reserve to production ratios of 75 years for oil and more than 100 for gas, the region is expected to continue to play a leading role in global energy balances for many more

decades. Consequently, the hydrocarbon sector is expected to play a leading role in the GCC economics, with its share of the combined GDP of the GCC standing at 43% (2005). Oil & gas exports constitute more than 77% of total exports as well as 84% of government revenues; however the rising GCC oil and gas exports are subject to large uncertainties depending on the extent of global economic and non-OPEC supply growth. It is the policy of GCC countries to make timely upstream investments to meet rising world demand and ensure adequate spare capacity as they have done in recent years.

In response to a recent surge, e.g. 2004, in world demand for oil, GCC countries have embarked on major oil and gas upstream and downstream investments. Most of these are already underway and are expected to add around 2.5mbd to global crude oil production capacity while gas projects are expected to add 40 BCM by 2011. The size of the required investments is large and challenging. The most recent estimate of the total required oil and gas investments in GCC countries is put at around US\$ 200bn for the period 2007-11, or just under 20% of expected global investment of more than US\$ 1 trillion.

It is to be noted that the 2006-11 estimate of required investment represents an escalation by more than 50% over the earlier estimate for the period 2006-10. The escalation is attributed mostly to the increase in cost of labor and equipment. More challenging, however, is the large uncertainty in the required investments over the long term, which could reach 50% or more, prompting the call by GCC for a more assured road map for growth of demand.

### The “Climate Change” Challenge to Sustainability of Fossil Fuels: the Natural “win/win” Role of CCS/EOR

There has been rising consensus among scientists that at least a discernable part of the rise in the earth’s surface temperatures observed over the last 150 years is attributable to the increasing level of anthropogenic GHG emissions, mainly CO<sub>2</sub>. These developments have strengthened calls for more concerted worldwide actions to reduce the growth of CO<sub>2</sub> emissions, particularly on the part of the developed countries that are responsible for the bulk of increase of CO<sub>2</sub> concentrations in the atmosphere so far.

Carbon capture and sequestration (CCS) technology has received increasing attention and support as a viable approach, in addition to improved efficiencies, renewable and nuclear. CCS technology is novel and costly at the front end. Geologic storage options are more realistic and proven, with huge storage potential. Some, like storage in saline aquifers needs further extensive RDD work to prove potential and reliability. Fortunately, CCS in depleting oil and gas reservoirs in conjunction with enhanced oil recovery (EOR) is already a proven technology in certain locations, where economic, natural or industrial sources of CO<sub>2</sub> are available nearby. The technology is ready for large scale demonstration applications and has a huge storage potential (approx. 950 Gt. Of CO<sub>2</sub>) when fully deployed, in addition to augmenting proven reserves significantly (by a minimum of 200bn barrels with potential for more than 500bn).<sup>1</sup> It represents a win/win technology option ripe for collaboration among producers, consumers and the environment and several pilot and small demonstration CSS and EOR are already underway.

### EU Energy Policy

Increasingly, EU energy policy is driven by energy security as well as climate change concerns, with the EU taking the lead in international negotiations for multilateral efforts to reduce CO<sub>2</sub> emissions from use of all fossil fuels. EU energy policies aim to reduce import dependence through improved efficiencies and diversification of supply as well as primary energy sources. These policies foresee a rapidly increasing role for renewable as well as resumption of the use of nuclear electricity, for some countries at least.

*With OPEC's share of global reserves close to 80%, and non-OPEC conventional oil growth reaching a plateau and beginning to decline by 2015, a structural change in oil supply is looming*

As a result, EU oil demand has seen no growth for 2 decades, and is projected to show limited or no growth over the coming few-at 0.2% annual rate in reference scenarios. However, following significant domestic supply growth from North Sea in the 80s and 90s, the EU domestic oil supply appears to have peaked and is projected to decline at an annual rate of 4.5%. Currently, EU oil and gas imports are mainly from Russia, Central Asia and North Africa. Notwithstanding, GCC oil& gas remains important to the EU both indirectly as well as being the main supply growth potential of conventional oil after 2015.

Nevertheless, fossil, coal and gas for power generation and oil for transportation will continue to figure out prominently in EU countries as well as globally. The path of CO<sub>2</sub> emitting conventional fossil technologies is considered unsustainable by the EU

*The GCC is committed to oil market stability and to making the huge investments to assure adequate oil and gas supplies to the global economy. In return, they ask for consistent and transparent energy policies on the part of major consumers that would lead to a clearer picture of future demand growth*

on account of climate change concerns and recently the EU energy policy has placed increasing emphasis on the development and deployment of CCS technologies.

### Proposals for Cooperation and Joint Actions to Advance Overlapping Goals and Interests

While there are differences between perspectives of the GCC countries and those of the EU, the two groupings share some important common energy goals and interests like agreeing that for the foreseeable future fossil fuels will continue to play a major part in meeting future world demand for energy, particularly DCs. Both sides are keenly interested and committed to enhancing the security and environmental sustainability of fossil fuels. The EU places emphasis on supply security through efficiency improvements and diversification of supply sources and development of alternative sources and has taken the lead in negotiations to address climate change concerns, advocating sizable and binding CO<sub>2</sub> emission reductions, including from large developing countries.

The GCC are keen to see continued robust demand for their abundant oil and gas resources, thereby generating optimized export revenues as they pursue diversification of their economies. The GCC is committed to oil market stability and to making the huge investments to assure adequate oil and gas supplies to the global economy. In return, they ask for consistent and transparent energy policies on the part of major consumers that would lead to a clearer picture of future demand growth.

Recognizing and supporting the need for a global approach to address climate change, the GCC share the views of the developing

<sup>1</sup> The minimum relates to availability of CO<sub>2</sub> sources nearby depleting oil and gas fields. The minimum storage potential under these conditions is estimated to be around 135-155 Gt. CO<sub>2</sub>.



### Estimated Investment in Petroleum, Petrochemical and Energy Projects in GCC Countries (2006-2011) (\$ Million)

	Bahrain	Kuwait	Oman	Qatar	KSA	UAE	Total GCC
<b>Oil Upstream</b>	350	4420	4960	7270	12500	3950	33450
<b>Oil Midstream</b>	100	250	250	100	1500	400	2600
<b>Oil Downstream</b>	750	10815	500	2900	26800	8150	49915
<b>Total Oil Chain</b>	1200	15485	5710	10270	40800	12500	85965
<b>Gas Upstream</b>	400	1425	1350	8050	3110	7400	21735
<b>Gas Midstream</b>	200	500	320	120	1500	500	3140
<b>Gas Downstream</b>	2800	5740	5560	37470	31298	4250	87118
<b>LNG</b>	0	1000	0	29400	0	0	30400
<b>Total Gas Chain</b>	3400	7665	7230	45640	35908	12450	112293
<b>Petrochemicals</b>	2800	4740	5560	8070	31298	4250	56718
<b>Power</b>	917	5300	1383	2136	7996	5596	23328

Source: APICORP, October 2006.

countries in recalling the UNFCCC and Kyoto principles of “common but differentiated responsibilities & respective capabilities”. Poverty elimination and development remain priority to the DCs.

Given the picture above, it is clear that there is room for cooperation and opportunities for concrete joint actions that would advance some common goals and interests. In the following section, four suggestions for joint actions are presented of which some have been identified in the EU/OPEC 2005 dialogue.

1. Establishment of an EU/GCC partnership on CCS: the purpose would be to identify, develop and implement jointly one large scale demonstration project in each GCC country. The partnership is to reduce cost of key technologies, monitor and verify effectiveness of storage and promote their deployment and dissemination. It is envisioned that each GCC country would nominate the industrial and technical partners of the demonstration projects once a candidate project has been identified and the EU would provide technical support for its formulation and execution

2. Establishment of joint EU/GCC technology center: Similar to the EU/Russia center, it is envisaged that it would be established in one of the GCC countries near or part of a major energy R&D

center or university. It would have a small core staff of experts from both the EU and GCC and each part will cover its staff costs. The center would undertake joint collaborative studies with experts drawn from it as well as from other EU and GCC government and private sector energy R&D centers. The scope of studies would cover economic feasibility and technology assessment of renewable, fuel cells, nanotechnology and issues related to CSS.

3. Establishment of joint EU/GCC board to promote private energy services business in GCC: given the size of investments expected in GCC countries in oil& gas, petrochemicals and water projects<sup>2</sup> it is proposed to setup an EU/GCC board to promote the establishment of private business ventures, covering the broad energy sector including oil& gas, water desalination and renewable. The scope of activities would also cover other developing countries (MENA and Asia).

4. Exploring the feasibility of nuclear power in GCC countries: given the decision of the GCC summit to explore the long term potential roles of nuclear power in GCC countries, it is proposed that EU/GCC could set up a joint team to study long term economic feasibility of nuclear power technology including economic, safety, security, waste disposal and the nuclear fuel cycle in general in collaboration with the IAEA.

<sup>2</sup> Total required investments in GCC countries for energy (up and downstream oil and gas) and water projects over the period of 2007-11 is estimated by APICORP to be around US\$ 221bn.

*Speech by Dr. Angela Merkel*

## *Chancellor of the Federal Republic of Germany on “Challenges for European Security Policy”*

*Available under [www.ecssr.com](http://www.ecssr.com)*

*Held at the Emirates Center for Strategic Studies and Research*

*Abu Dhabi, UAE*

*February 5, 2007*

The UAE and Germany share a close friendship. In 2004 a strategic partnership was established between the two countries, and the UAE is currently the most important trading partner for Germany in the Gulf region. Germany remains highly committed to enhancing economic cooperation, and German companies have an interest in furthering economic and business ties with their counterparts in the UAE. On this current visit to the country, several important contracts were signed between the two countries. Among others, Abu Dhabi University has signed agreements with both the Technical University Munich and the Bonn University Hospital. Opportunities in the field of education should be expanded further and both countries should continue working towards broadening the scope of the existing close cooperation.

In its capacity as the current holder of the Presidency of the European Union (EU), Germany is well-aware of its responsibilities in the EU. It sees a need to contribute towards continuing Europe's success story. For generation after generation there was war in Europe, and the Second World War did not take place that long ago. At the end of the 20th century, however, Europeans were able to break the vicious cycle of violence. Finally, after enduring war, devastation and suffering, the individual European states have learned the lessons of the past. They have learned to stand up for themselves without resorting to violence. They have developed a respect for the dignity of each individual and for the equality of rights for both men and women. Over time this has brought prosperity. Looking at the states of the Middle East today, they have a long way to go before they reach this stage.

The EU countries cannot just rest on their accomplishments, however, and they face many difficult challenges ahead, but the 27 EU member states have to come together to advance common EU goals. The EU is also encountering new challenges abroad, some of which are being brought about by rapid changes in the technological field. The EU has a strategic partnership with Russia, and it is well-aware of the importance of emerging countries such as China and India, and those in the Middle East as well. What we call globalization

requires a new way of thinking and acting if politics is to shape people's expectations and events and be accepted by them.

The fact that the countries of the EU have agreed to forge a common foreign and security policy has enabled the EU to become more effective. The EU countries debate this among themselves and are proud of their successes in this area. In the former Yugoslavia, the EU faced great difficulties. The EU learned from these, however, and adopted a more effective approach in both Macedonia and Kosovo. The EU also sent troops to secure elections in the Congo, and the European contingent there was seen as successful.

What lessons can the EU learn from the common principles guiding its member states? In 2007, Germany would like to see Europe succeeding when it works collectively. Comprehensive understanding enables the EU to proceed towards its goals, but it can only succeed if it combines both military force and civilian contingents, which are both needed for overcoming current conflicts. In the Congo, for a long time, the EU debated how to establish individual institutions and how to move ahead. The EU did require a military component there, but only briefly. This also applies to the existing conflicts in the Middle East, in countries such as Afghanistan and Lebanon.

In its capacity as the current holder of the Presidency of the G8 Group, Germany has adopted growth and responsibility as its main policy goals. There are clear implications of this in the Middle East region. The world needs a set of rules which is binding for all, and to which all feel committed. In order to illustrate this, as an example, the EU in the Kyoto protocol agreed to a substantial reduction in emissions. I am aware that this is being said in a country which has energy resources, but all of us have to see to it that energy is used more efficiently. Climate change can have dramatic consequences for the entire world. All of this tells us that globalization means that we are all in the same boat and we share a common responsibility when it comes to energy policy.

There clearly exists a need for a completely new dialogue between producers and consumers. The EU is interested in diversification of markets of energy sources, and would welcome a greater market role for the relatively newer energy sources, such as liquefied natural gas (LNG). As far as energy security is concerned, it goes without saying that the EU would like to see political and economic stability in the countries where energy is being produced. Collaboration in the energy field is one of the most interesting and dynamic aspects of cooperation between the EU and other countries.

During the German presidency of the EU, energy policy will play a very important role. A plan for dealing with energy issues will be submitted. All of this shows that economic growth invariably entails economic responsibility not only in one region but in others as well. During this trip to the Middle East, I have been reminded of our interest in bolstering the close economic relationship through trade agreements and further exchanges with the GCC countries. Last year, we had GCC days in Berlin, which were spearheaded by the UAE. This event was highly successful in making people aware of the great importance of this cooperation in the future.

Talking about our common responsibility makes us think of one central issue which is important to the region. The resolution of the Palestinian-Israeli conflict is crucial in bringing stability to the region. Other regional conflicts cannot be solved without successful resolution of this conflict. There is a need for a vision of a two-state solution. Israel should not be afraid for its security and the Palestinian people need to be given a state for their own well-being. Having suffered many setbacks with respect to dealing with this conflict, many people are of the opinion that we should not even be talking about it anymore. I grew up in Eastern Germany, thinking that the Berlin Wall would never fall. However, the Wall did eventually fall and reunification of Germany occurred. This was possible only because many people in Europe believed in this dream, stood up for it and made it happen. This experience, shared by millions of Europeans, has given rise to a commitment to the need to bring other conflicts to a close. What we did at the end of the Cold War we must do elsewhere in the world, otherwise we will all suffer.

Israelis and Palestinians must reach this solution together, with the help of other countries, including those of the EU. We must be clear where we want to go with this, and the two-state solution is key to this. The Beirut Declaration of the Arab League accepted the right of Israel to exist, which was very important. People here always remind me of the responsibility of the EU in this region – we are working within the Quartet to advance peace efforts. There is a window of opportunity that needs to be utilized. However,

there are forces in this region and other parts of the world that do not want success in this regard. Also, we must remember that interfering in the internal affairs of other countries is not helpful. I should also mention that Germany has purposefully decided to participate in the United Nations Interim Force in Lebanon (UNIFIL).

Addressing the issue of Iran, we view Iran's nuclear program with great concern. I know that in this we are unified. Russia has submitted concrete proposals to Iran which allow its people to continue to prosper without entering into a nuclear arms race in the region. The international community has accepted a resolution, embarking on the road towards sanctions against Iran, if demands are not met. If Iran does not cooperate, the international community will impose these sanctions.

*The fact that the countries of the EU have agreed to forge a common foreign and security policy has enabled the EU to become more effective. The EU countries debate this among themselves and are proud of their successes in this area*

We have said all along that we are willing to talk to Syria but our offer has not been taken up. It would be very helpful if Syria were to establish diplomatic ties with Lebanon. Syria can be important to peace in Lebanon.

Our regions are very close to each other. Global problems need to be solved by mutual cooperation. We need institutions for this. We need to bring together our common values. I believe that the UN is an important forum for this, even though the organization itself needs to be streamlined. It is somewhat awkward to work towards compromises in the UN Security Council. Following from our experiences in the EU, it is difficult to work out these compromises, but they are the source of our legitimacy. The nations of this world must have a common understanding of the rules that govern their actions. We must understand that violence does not solve conflicts, but the UN must add legitimacy when it is necessary to resort to military force.

Our civilizations and religions are different but we need a common understanding about the acceptance of religion. Any abuse of religion to legitimize the use of force must be abandoned and condemned. We, in the EU, were used to a Euro-centric perspective for about two centuries. We must retain our openness and curiosity to work together with others. There are friends here in this region with whom we can share this.”





**Gulf Research Center**  
Knowledge for All

**GCSP**

Executive Learning

## **Global Leadership Program**

**Global Security & Politics Module  
June 18-22, 2007**

Modules are offered on a rotating basis  
and take place in Geneva, Switzerland.

### **Understanding the Forces Shaping Today's Global Environment**

The Gulf Research Center and the Geneva Center for Security Policy are offering a Global Leadership Program to better understand the interlinked challenges in the global security, political and economic realms. Taught by key policy practitioners, Global Leadership is the opportunity to analyze and anticipate critical issues impacting future development.

**For inquiries and applications contact:**

Gulf Research Center  
Application deadline: April 30, 2007  
Tel.: +971 4 324 7770 Ext: 435  
E-mail: [globalleadership@grc.ae](mailto:globalleadership@grc.ae)  
Website: [www.grc.ae](http://www.grc.ae)

## *November 2006 to March 2007*

### **November 2006**

- 1** The Gulf Cooperation Council and the European Union will hold another round of negotiations over a free trade zone at the end of this month that will likely forge an agreement on outstanding issues, a top GCC official says. The six Arab Gulf states that make up the GCC will meet next week in Riyadh to coordinate their positions ahead of the talks, which are hoped to end the long-stalled deal for a free-trade pact ahead of a potential signing at ministerial talks in December, says Hamad Al Baazi, Saudi deputy minister of finance and GCC free-trade talks coordinator.
- 3** European Commission Vice President Franco Frattini expresses his appreciation for the Gulf Cooperation Council (GCC) resolution on adoption of a single currency and expressed Europe's willingness to exchange experience and security agenda between the EU and the GCC.
- 23** The Gulf Arab states, including Bahrain and Saudi Arabia, will sign a free trade agreement with the European Union in the first quarter next year, Bahrain's deputy finance minister says.
- 25** The total number of students from the UAE studying in the UK in the academic year 2004-05 rose by 10 per cent compared to the previous year, according to the latest figures from the British Council.
- 27** Gulf Cooperation Council member countries and the European Union may miss the end-of-year deadline to sign their free trade agreement, top GCC official Hamad Al Bazai, Saudi deputy minister of finance and GCC free-trade talks coordinator says.
- 28** UAE President Shaikh Khalifa welcomes economic, trade and investment cooperation with Greece. "We welcome any opportunity for UAE-Greece cooperation especially in trade and economy for the sake of boosting bilateral relations in order to serve interest and benefit of the two friendly countries," Shaikh Khalifa says.
- 5** A meeting of the five permanent members of the UN Security Council plus Germany to discuss a UN resolution on Iran's nuclear program will go ahead, after Russia withdraws a statement saying it had been called off due to disagreements.
- 6** President Mahmoud Ahmadinejad warns Europe against backing proposed UN measures against its nuclear program, saying Iran would respond by downgrading relations with the EU.
- 16** European Union leaders warn Iran and Syria against meddling in the affairs of their neighbors and demanded they adopt more "responsible" stances if they hope to improve ties with the bloc.
- 20** A report from the European Monitoring Centre on Racism has catalogued a disturbing climate of Islamophobia in Europe. The report says that Muslims "experience various levels of discrimination and marginalization in employment, education and housing."
- 21** British Prime Minister Tony Blair has spelt out a crisp three-point 'formula' of "immediate priorities", including an early meeting between Palestinian President Mahmoud Abbas and Israeli Premier Ehud Olmert.
- 28** Oman-German relations receive a major impetus with the signing of an agreement for the establishment of a joint private university in the Sultanate.

### **January 2007**

- 4** German Chancellor Angela Merkel will embark on a tour of Kuwait, Saudi Arabia, and the United Arab Emirates as well as Egypt on February 3. The four-day tour will focus mainly on economic and trade ties as well as the situation in the Middle East, German government spokesman Ulrich Wilhelm tells a press conference.
- 6** President Jacques Chirac gives a tough critique of the U.S.-led invasion of Iraq and its fallout, saying the war destabilized the entire Middle East and allowed terrorism to spread.
- 7** The European Union is cool to a US push for stricter financial sanctions on Iran, an EU official in Washington says. Undersecretary of State Nicholas Burns says EU governments were focused on implementing a United Nations

### **December 2006**

- 1** France and Kuwait signed two agreements on defense cooperation that President Jacques Chirac and Sheikh Sabah al-Ahmad al-Sabah say underline a joint ambition to encourage stability in the Middle East.

Security Council resolution adopted last month that targets Iran's nuclear program.

- 10 Meetings between the European Union and the Gulf Co-operation Council (GCC) resume putting the final touches ahead of signing a free trade agreement between the two sides.
- 12 The EU plans to relax visa regulations with GCC countries, Jurgen Steltzer, German ambassador to the UAE says.
- 22 Emirates airline and Etihad Airways will be expected to adhere to the EU Emissions Trading Scheme (ETS) when it goes into effect, according to senior executive Anthony Concl, director of communications at the International Air Transport Association (IATA).

## February 2007

- 4 German Chancellor Angela Merkel begins a two-day official visit to Saudi Arabia. The visit is the second stop on her Middle East trip, which first took her to Cairo and after Riyadh, continues to Abu Dhabi and Kuwait.
- 4 French President Jacques Chirac receives the Chairman of the Saudi National Security Council Prince Bandar Bin Sultan Bin Abdul-Aziz, for talks, but no agenda for the meeting is published.
- 5 German Chancellor Angela Merkel discusses with King Abdullah ways to revive the Middle East peace process. She also met with Crown Prince Sultan and Foreign Minister Saud Al-Faisal.
- 6 German Chancellor Angela Merkel meets UAE President Khalifa bin Zayed al-Nahayan as part of her talks with Gulf leaders on international efforts to revive the Middle East peace process. Merkel says that the door remains open for negotiations between Iran and the international community over its contested nuclear program.
- 13 Prospects of an imminent conclusion of the long-awaited Free Trade Agreement (FTA) between the Gulf Cooperation Council and the European Union are getting brighter with the expected visit to the UAE by the EU Trade Commissioner Peter Mandelson.
- 22 Key US allies Britain and Denmark announce a major troop withdrawal from Iraq, even as the United States sends in thousands of extra soldiers to douse the raging insurgency.

26 European Union Trade Commissioner Peter Mandelson says restrictions on investment and access to the services sector continue to stand in the way of a free trade deal with Gulf Arab countries.

27 EU Trade Commissioner Peter Mandelson at the Jeddah Economic Forum calls for "clear political leadership" from the members of the Gulf Cooperation Council (GCC) to enable agreement on a free trade agreement between the GCC and the EU.

## March 2007

- 1 GCC countries negotiating a free trade pact with the European Union are insisting on keeping current restrictions banning foreigners from owning a majority stake in Gulf businesses, EU trade commissioner Peter Mandelson says.
- 6 Gulf Arab states and the European Union are likely to finalize a free trade deal by June, the secretary-general of the Gulf Co-operation Council, Abdul-Rahman al Attiyah says.
- 7 The European Union is set to condemn Iran for failing to heed a UN call to suspend sensitive nuclear fuel work but still urge negotiations, at a meeting of the UN atomic agency in Vienna.
- 14 EU foreign policy chief Javier Solana backs Saudi efforts to resolve Lebanon's political crisis during a visit to Riyadh as Saudi Arabia works on hosting a meeting of the feuding factions.
- 22 The European Union is keen on consolidating its relations with the GCC, particularly the UAE which stands out as a unique example of development and economic openness, says Jurgen Steltzer, Ambassador of Germany to the UAE.
- 23 The Jeddah Chamber of Commerce and Industry will be the first chamber in Saudi Arabia to establish a European Union (EU) desk at its premises, JCCI Vice Chairman Mazen Batterjee says.
- 25 Iran's military says British naval personnel seized in the Gulf confessed to entering Iranian waters illegally, but Britain maintains they were detained inside Iraqi territory and demands their release.
- 27 Iran says it is interrogating 15 British sailors it seized last week claiming they had entered its waters illegally, defying intense international pressure for their release.



# International Relations

## Master's Degree Program (M.A.)

"International Relations" is a two-year full-time Master of Arts distance learning program, comprising 120 credit points according to ECTS standards.

**The degree will be certified by the Freie Universität Berlin.**

**The language of instruction is English.**

**Start of the new cycle:** October 2007

**Application deadline:** May 15, 2007



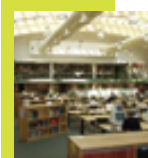
**Gulf Research Center**  
Knowledge for All

**Gulf Research Center**  
187 Oud Metha Tower, 11th Floor,  
303 Sheikh Rashid Road,  
P.O. Box 80758, Dubai,  
United Arab Emirates  
**Email:** IROnline@grc.ae  
**Tel:** +971 4 324 7770  
**Fax:** +971 4 324 7771



**Institute for East European Studies**  
Garyastraße 55, 14195 Berlin, Germany  
**Email:** IRonline@zedat.fu-berlin.de  
**Tel:** +49 30 838 55476  
**Fax:** +49 30 838 53616

Please visit our website for more information on application and tuition details:  
<http://www.global-politics.info/ir-online>



## ***What Future for the European Union's New Energy Security Policy?***

*Seminar - Brussels, 15 May 2007*



Royal Institute  
for International Relations



**Gulf Research Center**  
Knowledge for All

---

## ***Global Leadership Program Global Security & Politics Module***

*Geneva, 18–22 June 2007*



**Gulf Research Center**  
Knowledge for All



---

## ***Annual Conference: The Middle East 2007***

*Gstaad, 1-3 July 2007*

*The Geneva Center For Security Policy*

*Rand Corporation*

*Crown Center*

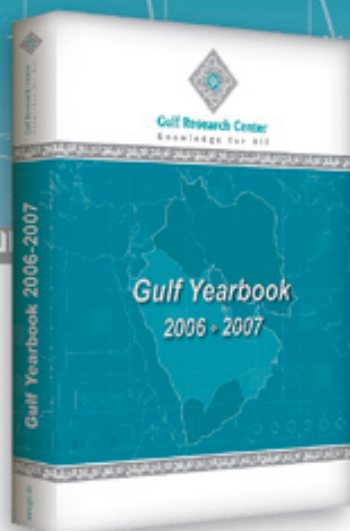
*Gulf Research Center*



**Gulf Research Center**  
Knowledge for All

# ***Gulf Yearbook 2006-2007***

The Gulf Yearbook 2006-2007 provides an analytical perspective on the main and critical developments of the year for the Gulf region with particular focus on the key political, economic, security, social and environment issues that have defined Gulf relations over the year.



**To order your copy, contact:**

Tel: +971 4 3247770

Fax: +971 4 3247771

[sales@grc.ae](mailto:sales@grc.ae)

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





## **Gulf Research Center**

**K n o w l e d g e   f o r   A l l**

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.

187 Oud Metha Tower, 11th floor  
303 Sheikh Rashid Road  
P. O. Box 80758, Dubai UAE.  
Tel. No.: +971 4 324 7770  
Fax No.: +971 4 324 7771  
Website: [www.grc.ae](http://www.grc.ae)  
E-mail: [info@grc.ae](mailto:info@grc.ae)