



VOLUME 22

# Emerging Powers and the Middle East

## Competition or Partnership in a Multi-Polar World Order?

**Azmi Bishara** After Georgia and George **Parag Khanna** A New Geopolitics for a New Middle East **Hermann Schwengel** After the Crisis is before the Crisis: The Three Gre-at Shifts of the Global Order and the Middle East **Vitaly Naumkin** Russia's Return to the Middle East **Ibrahim Saif** and **Yasmeen Tabbaa** The Middle East in an Emerging Multi-Polar International Order: The Economic Perspective **Sven Behrendt** Sovereign

Wealth Funds from Emerging Economies: Drivers of Systemic Change **Mingjiang Li** Soft Power: The Concept and the Chinese Approach **Pratul Bidwai** Delinking Real Security from False Notions of Prestige: Lessons for the Middle East from South Asia's Anti-Nuclear Weapons Movement **Ziad Abdel Samad** and **Kinda Mohamadieh** Arab Civil Society and the Rise of New International Solidarity Movements





# **EMERGING POWERS AND THE MIDDLE EAST**



**HEINRICH BÖLL STIFTUNG  
PUBLICATION SERIES ON DEMOCRACY  
VOLUME 22**

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Competition or Partnership in a Multi-Polar World  
Order?

**Edited by the Heinrich Böll Foundation**

Emerging Powers and the Middle East  
Competition or Partnership in a Multi-Polar World Order?  
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## FOREWORD

The role of “emerging” or “rising” powers on the scene of international politics has been the focus of a lot of interest and a growing body of research over the past years. With the end of the Cold War, expectations of a new era ruled by multi-lateral approaches and liberal concepts of international relations, guided by the motto “democracies solve their problems peacefully”, held sway.

In the post Iraq-war era, however, the return of power-politics and the principle of “national interest” appear to strike back with a vengeance, while new alliances are forming in response to complex security challenges. China and India are seen as racing ahead in terms of explosive economic growth, as competitors over energy markets and increasingly indispensable pillars of regional stability. A resurgent Russia may move to challenge US presence and influence in Central Asia, the Middle East and South East Europe. At the same time, the vision of liberal democracy and free markets as the inevitable template for development and modernization does no longer appear to be the only game in town. Chinese forays into development cooperation, South-South alliances on international and regional levels may inaugurate a more multi-polar world system where different models of development coexist and compete.

The Middle East is one of the most important focal points of overlapping and competing interests of both established and emerging powers, and hence, an arena where the new rules of the game are being developed and acted out. During much of the 1990s and the early 2000s, the United States was considered the only power of consequence in the Middle East. Ten years into the new millennium, however, strategic shifts in international power relations suggest that unilateral approaches are no longer tenable. Persistent conflict and instability on the one hand and ballooning energy prices on the other, have propelled the Middle East into the spotlight of international attention, competition and involvement. Today, the Middle East is of paramount importance for the arguably three most important new players who are striving to define their areas of influence and interest, and to carve out a role for themselves: China, India and Russia.

Booming Chinese exports have changed modes of consumption and production in the Middle East, while the concomitant rise in oil prices is boosting the leverage of Arab investors in international finance markets. Labor imported from the Indian subcontinent fuels the hubs of these new patterns of commerce and consumption that have mushroomed along the Eastern shores of the Arabian peninsula. At the same time, the success of the Chinese developmental model serves as a major ideological boost to Arab autocrats seeking to decouple economic from democratic reform. Energy as well as security are major concerns

for both India and China. Russia, on the other hand, is surging back to major power status on the back of high energy prices. All three are neighbors to the region and liable to be affected should conflicts escalate, and may see the Middle East as a region where immediate interest converges neatly with the claim to become pillars of a new, multi-polar global order.

Yet, research looking at the implications of these strategic shifts for the Middle East typically restricts itself to only one aspect of this complex web of relations, the strategic competition over access to energy resources; and focuses mostly on the potential role of only one country at a time, and in particular China. In addition, it is mainly concerned with exploring to what extent Western interests in the region will be affected. Middle Eastern perspectives on the other hand, often limit themselves to the creation of wishful scenarios where the powerful position of the United States may be checked or even supplanted by a rising China or a resurgent Russia.

This publication attempts at looking at the effects of the global shift of power on the Middle East from a more comprehensive angle, bringing together Chinese, Indian, Russian, Western and Middle Eastern experts, to explore the perspectives of the region to become a partner in an emerging multi-polar system, rather than a stomping ground or even a battlefield for the interest and the prestige of others. It also aims to look at sub-state or trans-national actors and flows that often remain invisible to purely strategic analysis, but create powerful crosscurrents that may affect or even derail attempts to project national or imperial power, and create patterns of influence of their own. The papers gathered here were written at a crucial time, when both the initial euphoria over the new US administration has begun to sober and the obstacles that it is facing in the Middle East have become clearer, and the repercussions of the global financial crisis have started to surge across the region with varying degrees of gravity.

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Berlin and Beirut, September 2010

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# After Georgia and George

A Return to the Cold War or a Completely New International Reality<sup>1</sup>

## Part 1: The Post-Cold War Era

The world began to weary of the so-called “unipolar world” by the time Clinton’s second term had come to an end. After direct military intervention in Yugoslavia, Somalia, Afghanistan and Iraq – in the Kuwait war, then the continuous blockade imposed against Iraq – and the two-pronged policy of containment targeting Iraq and Iran... many, including French Foreign Minister Hubert Védrine, began to talk about the inherent dangers of the “hyper-power”.<sup>2</sup> This became particularly the case when Russia began to weaken and to lose ground, politically and economically; and, China had its focus turned towards building the economy and away from international politics. It also became apparent that the fear of the Soviets and the “Communist menace” that had once united Western powers and their allies no longer existed after 1989 or, after the collapse of the Berlin Wall.

### The End to the Sovereignty of the State?

From the perspective of European politicians and many liberal theorists, and in the discourse of NGOs, inaccurately labeled as “civil society” organizations and activists in a “third world” context, the construction of the new world order on

- 1 Published in the *Al-Mustaqbal Al-Arabi* magazine, October 2008, no. 356; pp. 25-29; given as a lecture by invitation at the Medina Theater in Beirut, Lebanon. Translated from Arabic and edited by Mona Abu Rayyan.
- 2 The paradox lies in the fact that this trend in French politics was later defeated by those closer to the US. The latter were so taken by American society and politics – their admiration unprecedented and embodied in and by Sarkozy. This would also take place in Germany during the same period, with the defeat of Gerhard Schröder by the current chancellor. If one examines these developments from this angle, America did not lose allies in Europe by the end of Bush’s term in office but actually gained them. However, today, these European unconditional allies of the Bush era possess a wider margin of freedom as America’s policy of military intervention has been curbed after Iraq, and at the end of the Bush term and the beginning of the financial crisis in which Sarkozy suddenly discovered his own critical stands vis-à-vis capitalism.

the ruins of the Cold War, its deterrence strategy and balance of fear included the surrender of the state of its sovereignty and the end of the nation-state. This surrender was often by the state's own volition, as was the case with states inside the European Union. However, at the end of the two-camp order, this surrender was ideologically seen as a necessary sacrifice for this new ideological construction, which would uphold universal principles, or global ethics if you like, such as conformity and compliance with the universal ideals of international law, human rights and preservation of the environment... And, if secular economics and the global market, the hegemony of America's economic pillars as institutionalized by the World Bank and the International Monetary Fund, the reproduction of dependencies between the center and the periphery by instilling new consumption patterns and needs, and the deprivation of peripheral countries by developed countries of the conditions necessary for engaging in productive economic development, altogether create the first face of globalization, then the marginalization of the sovereignty of the state and the marginalization of nationalism for the benefit of general universal principles have become the other face of globalization.

This discourse was encouraged and endorsed throughout the 1990s with literature about the end of the sovereignty of the state, as we have known it since the Westphalian regime, being endlessly disseminated. Indeed, Western academia has busied itself with research papers and studies on civil society and nationalism. Shared universal principles and a global "rule of law" have been promoted as an indivisible part of the new world order. And, all of these were considered part and parcel of a composited synthesis that would balance out the risks presented by the 'unipole' and equilibrate the evolution of this new imperial system, which was so able to impose its will anywhere on earth and on the states orbiting its system.

## Universal Values and Civil Societies

It was this atmosphere that led to the Kyoto Protocol, designed to reduce green house emissions, and from this same point of origin, after a global self flagellation – hypocritical or not – that the International Criminal Court was established in response to the initial silence and powerlessness, which was actually carelessness, towards what was taking place in the naked light of the globalized day, while the world watched as crimes of genocide unfolded in Rwanda. And of course, talk in United Nations' corridors never ends when it comes to renewing and expanding the Nuclear Test Ban Treaty and endorsing treaties banning landmines. It looked like things began to move in the direction of global measures motivated by global values as opposed to the old motivations of the cold war.

In the meanwhile, academia had already launched its production – that had a beginning but has no end – of counterfeiting the notion that civil society is a society that is composed of citizens that are separate from the state, within the

state; that it is a powerful society that reproduces itself in the market economy, finances the state through taxation and balances the power of the strong state by producing a public sphere, which falls outside the realm of the state. This powerful 'civil society' is created by way of democratic institutions and has been demoted to mere non-governmental organizations that are funded by donor institutions, headquartered in the larger, advanced industrial states. Their work thus being to transfer the perspective of 'civil' organizations and unions from the advanced, post-democratic West to countries whose societies do not finance the state and who lack a 'society of civic citizens', which can act as a balance to and monitor of the state, within the state.

## The Regional Wager

In the framework of this new trend and after the end of the bipolar world, it appears that some in the Arab region have been wagering on Israel losing its function, particularly after the direct American war on Iraq in 1991, which took place without Israeli interference subsequent to America's insistence that Israel abstain from reacting... even when Iraq fired off its missiles in Israel's direction. This Arab wager grew and took further root with expectations that the international community was going to impose a peace settlement on the "parties to the conflict in the Middle East" – a process that was to be exclusively brokered by America, which allegedly had an interest in putting an end to a trouble spot. This thinking was encouraged first by the negotiations taking place in Madrid, then Oslo. Reliance on Egypt's role also grew as a result of Egypt leaving one camp for the other during the Cold War. With time, this Egyptian separate peace treaty style progressed into an official, comprehensive Arab wager that bilateral agreements would soon follow. Indeed, the thesis upgraded to a discourse about the demise of the strategic importance of Israel and its transformation into a burden on the United States is nothing new then. In fact, it was robustly promoted throughout the 1990ies.

Countries with nuclear armaments have expanded to include the likes of Pakistan, with Iran on its way. The Arab wager on a peace settlement with Israel has failed. Indeed, for the Arab regimes today, all that remains is the memory of a "golden era" of active American engagement in the region after 1991, particularly embodied by the Madrid Conference. However, it soon became apparent that peace negotiations were to remain hostage to the prevailing balance of power and to the full agreement and alliance between the Americans and Israelis. And, while the Arabs were busy placing their bets on America's intentions, Israel had been wagering on its strength and on creating realities on the ground. It also became clear to the Arabs that Israel had lost neither its function nor usefulness. For those who had wagered on America's intentions, what remained to be understood in any case was that for the US, Israel has never been a mere function. It was never reduced to a functional ally. In the meantime, the Palestinians have entered into a tunnel of negotiations that has no end in sight; and, those under

occupation have become divided. All the while, the leadership of the Palestinian Liberation Organization (PLO) continues its attempt to appease Israel in order for it to accumulate enough reserve to help it withstand the internal struggle. The leadership of the PLO became a hostage of the benefits it can bring for the improvement of the life of the population under occupation. It can only survive after Oslo because of its ability to convince the population that in daily life, quietism is more rewarding than struggle.

## Utopian Politics in the Post Cold-War Era

The theory of the new utopia after the Cold War included a major problem for the world: that of one victorious camp, which also saw itself as right and as the natural choice, and which saw that its values deserved to be spread to all of mankind – all this after extreme simplification and even more extreme selectivity in proposing and demonstrating these values. It also held in it the possibility of the strong imposing themselves as an international police force, capable of carrying out this new, promising “international legitimacy”, carrying a historic message in one hand and a sword in the other as if they were the natural heirs of the ancient Roman Empire.

What one loses sight of so often and what seems so clear now, in retrospect, is that it was also at this time that the United States became divided. Historically, it was the American conservatives who always hesitated to interfere beyond the Atlantic into Europe and the Middle East – they were more inclined to interfering in the Pacific and South America. Indeed, the Soviet Union’s collapse has actually revived this hesitation. The historical enemy was annihilated, and with it the justifications for interference. Furthermore, the Soviet Union had surrendered to the notion that the United States had emerged victorious from the Cold War. The conservatives tend to believe that now, the US had to focus on its own affairs and that “nation-building” on other continents was not one of its concerns, with countless proof of this evident in the media at that time. The major development of the formation of a coalition of conservatives and neo-conservatives took place at the end of the Bush-Baker era because of the “unfinished job” in Iraq, and in the context of right-wing opposition to the Clinton administration.

## Missionaries in Nation-Building

What is interesting to note is that when the conservative and neo-conservative alliance waged war on Iraq in the year 2003, Democrat Joseph Biden, who, as a senator, had backed and actually demanded military action against Iraq, showed serious suspicions about the Bush administration’s intentions in the military intervention in Iraq because of the number of conservative figures involved. Later, Biden would become the vice-presidential candidate in Obama’s campaign, which used the war in Iraq to attack the previous American administration. But Biden himself had been a fervent supporter of this war of aggression

during the vote that took place in October of 2002 (73 votes for and 23 against the war). Biden, the enthusiastic supporter of the war, had expressed his fears and suspicions that the neo-conservatives would not go all the way with their commitment to “nation-building” in Iraq.<sup>3</sup> Had the war against Iraq succeeded to achieve its goals, we wouldn’t have heard any critique from the Biden school of thought.

In general, American conservatives like George Bush, Cheney and Rumsfeld represented a position that was founded on what they perceived to be America’s vital interests, such as oil and national security. These were the kinds of interests that became motives for external intervention. But the point of departure for these conservatives was not going to be in the context of America playing a role in implementing United Nations resolutions, or in implementing the principles of justice, international law or democracy, or in building modern societies and nations after their occupation – or, in other words, in what has been called “nation-building” since the days of the American intervention in the Philippines and in Cuba in the 19<sup>th</sup> century. Meanwhile, American liberals were particularly enthusiastic about America’s mission in Kosovo and about the blockade on Iraq during the 1990s. Soon after, they would also become some of the most enthusiastic supporters for the war on Iraq that followed.

Some of the conservatives left over from the first Bush administration saw that the mission of George Bush Senior was not completed with the war he helped plan in 1991, which ended before Saddam was displaced, and which was planned and promoted by lobbies such as the PNAC (Project for the New American Century) and other institutions that advocated for a war on Iraq at every possible turn. However, it was not until the events of September 11, 2001, that the scene in the United States transformed into what we are witnessing today.

Prior to September 11, the conservatives did not want to become entangled in “nation-building” interventions, not in the Balkans, not in Haiti and not in Iraq. Nor were they enthusiastic about Clinton’s policies in these areas. Indeed, they balked at the United State’s active involvement in the so-called “peace process in the Middle East”. Thus, George Bush Junior’s first term was actually markedly reclusive and isolationist; that is, until September 11. It was in George Bush Junior’s first term that the administration withdrew from the Kyoto Protocol and from the so-called “peace process” between Israel and the Palestinians. It was only after September 11 that the conservative administration went to war against Afghanistan, then Iraq, based on the justifications of protecting America’s national security, the ‘War on Terror’, protecting America’s oil interests in the (Arab) Gulf and controlling the energy resources of Europe, Japan and even

3 Robert Kagan, “The September 12 Paradigm”, *Journal of Foreign Affairs*, September/October 2008, pp. 25-39 and p. 35. In this article, neo-conservative Robert Kagan lists examples of the liberals who enthusiastically supported the war on Iraq. Kagan lists Biden as one example who saw the conservatives in the administration as being unenthusiastic about the war, and that he doubted their commitment. He cites Biden as saying, “Some of these guys don’t go for nation-building”.



China, and finally, Israel's security. Indeed, from the very beginning, Rumsfeld and Cheney – the former Chief Executive Officers of Halliburton – looked for justifications to attack Iraq; but, that was not going to be with the aim of building a new nation.

## The Production of Truths and Lies

This conservative dithering was evident in the lack of troops that Rumsfeld actually deployed in Iraq and in the non-existence of any plans for administering Iraq after the regime was toppled. The conservatives went to war after launching a campaign – with the complicity of the liberal press – based on a fantastic series of lies. None of those who created or promoted this campaign of lies have ever been held legally accountable so far, despite the fact that these lies provided the cover for destroying a nation and for crimes against humanity committed in the process of this destruction.

Indeed, what is so frightening about this production of lies, and what is so frightening about the way the empire's hegemony over the media and the entertainment and images industries is exploited to promote the lies, is that every time such a campaign is exposed for what it is, this does not prevent the same from recurring. Whenever similar conditions are made available, i.e. when the decision has been made to wage an imperialist war under the pretext of humanitarian motives, the ball is thrown into this same court once again. Revealing lies and deception in the aftermath of unjust wars of aggression does not prevent repeating the same experience with different lies when the mass hysteria is reproduced.

The story about Iraqi soldiers murdering babies in the nursery of a hospital in Kuwait for example, which was actually backed by an “exact” number of 318, and which George Bush Senior repeated so graphically, was actually a lie testified to perjurally. Indeed, the woman who testified before the concerned congressional committees – as if she saw these crimes taking place before her own eyes – confessed to this perjury later, but only after she was exposed as being the daughter of the ambassador of Kuwait in Washington D.C. This story and others like it were all exposed as being a body of diverse fabrications produced by the American public relations firm Hill & Knowlton based in Washington D.C., which was actually commissioned by the Kuwaiti government to convince the American public of the need for the first war against Iraq. All the witnesses were literally trained by this firm to perform for the media and for the House of Representatives and the Senate. Of course, one can digress endlessly on the subject of how these campaigns of lies are produced and promoted, and about the complicity of the “pluralist, enlightened media” in this process. What is important to note is that, in the end, these campaigns culminate in a state of hysteria and in priming public opinion in favor of war, while, at the same time, they suppress any opinions opposing or refuting these lies as treasonous or blasphemous. Then, the pluralist, enlightened media celebrates victory and it congratulates the administration, if victory is had. But when a war fails, it holds the same administration



accountable with the same hysteria, while the media itself remains outside the realm of accountability.

The production of lies clearly continued when it came to the weapons of mass destruction that Iraq possessed. The latter was promoted by the campaign conducted by Secretary of State Colin Powell before the Security Council, which he carried out without a blink. This campaign, along with all the others, was accompanied by even more media campaigns, which portrayed those who rejected any of these lies as being in collusion or sympathetic with Saddam Hussein.

In the end, what concerns us here is what makes this empire so different from all the others, and that is summed up in the ease with which it circulates lies. That it controls tears, moods and tastes through the media and entertainment industries remains a fact. It remains a fact, regardless of the strength of powers such as Russia and China. The unipole remains a constant in the production and promotion of culture, trends, moods, images and lies. It remains a constant in the production of computers and advanced scientific research, the military complex, and the internet. It is unflinching in its influence and domination over minds, even of America's enemies. Indeed, the United States of America continues to be the main source, principle producer and greatest supplier of armaments, computers, scientific discoveries, trends, and lies. The world has never before known an imperial system that controls and dominates in such holistic form over the media and entertainment industries. The world has never witnessed such a totalitarian media that enters every living room, and entertainment industries that define for our children how the good man and how the bad one look like.

## **Part 2: The Post-September 11 Era**

### **The Coalition of the Willing**

September 11 takes place: the neo-conservative and liberal reading of these events provides them with the legal justifications to go to war with great enthusiasm. Even with the lack of conviction the Security Council has about these justifications, both American conservatives and liberals hold on to their vision of America's role and its historic message, which includes how the world should look like. That is why we find Francis Fukuyama, Richard Armitage, and Robert Zalik (who replaced Paul Wolfowitz as director of the World Bank) amongst the signatories of the petition calling for the use of force to eradicate Saddam Hussein's regime. Many well-known leading columnists of major newspapers also support this petition and this call for action, as do official mainstream newspapers such as the "Washington Post", the "New York Times", the "New Yorker", and the "New Republic". Authority figures from the former Clinton administration also give their support for the war effort, as does Senator Hillary Clinton. Indeed, there is a consensus between neo-conservatives and democrats when it comes to this imperial conduct and to the United State's global role, all of which stems from protecting and securing vital interests such as oil, and even

the right and the obligation of the United States to use whatever force necessary and military intervention without United Nations approval if need be to protect these interests.

At the time of the events of September 11, Imperial America was capable of leading a “coalition of the willing”. The significance of this term, coined during that period, lies in the refusal of the United Nations to endorse interfering in Iraq under its flag, contrary to the case in Afghanistan. It was an alliance of those “willing” to violate the Security Council resolution to go against the United Nations and to go forth with the military intervention in Iraq, regardless of anyone and anything. It was the kind of alliance that Senator McCain tried to advocate for in his presidential campaign as an alternative to the United Nations. This was also the kind of vision that Sarkozy had in mind for the role of the NATO alliance – another sort of ‘coalition of the willing’ – and the justification Sarkozy used to advocate France’s return to this alliance. One should note here that Sarkozy is all that remains of the neo-conservatives in power today; a fact which is often obscured by the opportunism in his postures that he uses so as not to appear as a neo-conservative after the failure of the Republican candidate in the US presidential elections.

## The Spread of Democracy as Salvation

There is no doubt that the role of the neo-conservatives and their vision for the world was aligned with the position of many of the local liberals from the former left across the globe. It also met with the former left’s aspirations to find a new salvation theory in lieu of communism. For, they sustained the same messianic mentality, even after leaving the left and communism. These people now saw a magic recipe in democracy, as if it were the panacea for all symptoms, diseases and pestilences, just as they perceived American military intervention as manifest and decisive.<sup>4</sup> And, in the Third World, the former left went back to its

4 Refer specifically to Regis Debray, whose previously radical positions during his South-American period and during the student revolt of the 1960s are celebrated by some amongst the Arab left for reasons related more to nostalgia than anything else; this is with the knowledge that his theories, even then, proved to be superficial and failed particularly when it came to the theory of “revolutionary focalism” (Foquismo). But Debray surpasses even the former Arab left in his theories where he likens the global role of America to a permanent revolution and calls for the annexation of Europe to the United States. This is in addition to his ideas that there should be global citizenship in America’s empire, similar to the way it was with the Roman Empire. All of this can be explained by a fear of Islam (here, his fear of Islam reaches the point of actual Islamophobia) and of Confucianism. A combination of Huntington with Trotskyism and Debray’s own imperial theory can be found in his book, *Empire*, Regis Debray; Berkeley: North Atlantic, 2004. Cullen Murphy classifies Debray as being amongst the so-called expansionists who advocate for the expansion of the imperial role of America and not for its containment; see *The Fall of an Empire and the Fate of America*, Cambridge: Icon, 2007, p. 10. Also see Christopher Hitchens’ writings on imperialism and on American interference in the world, during this period, as being an interference to enlighten against the Islamists and the dictatorial Arab regimes.

usual state of affairs, awaiting a revolutionary impetus to come from the outside. They would exchange the Soviet or Chinese revolutions after the Cold War with a permanent “American revolution” in the same spirit with which they ignored the will of their peoples when it came to what they once decided were ‘progressive aspirations’ for their nations.

What made the neo-conservatives so distinct was not their conservatism – in the sense that they stood amongst the ranks of the American right in their American nationalism and in their staunch belief in the military strength of America and in the market economy America represented –, but rather their ability to employ liberal values and principles and even certain leftist trends, such as political and ethical relativism, the idea of progress, and the equality of women with men, to serve the interests of the United States. Of course, in the past and at the time of the Cold War, American policy would have to employ “values and principles” to mobilize world public opinion and the peoples of the world in the war against communism. This was represented in the ‘values and principles’ of faith versus atheism, in freedom versus tyranny, in democracy versus dictatorship, in human rights versus exploitation and so on, all the way up to the time of Reagan’s presidency. Clearly, during that period ideological justification was needed. It was not possible, at any point in time, to confine the notion of the international balance of power to such issues as European security, oil interests or the arms trade and so on; because, on the other side, communism was claiming that it was a comprehensive theory of universal salvation whose very structure and system of organization resembled a religion to some degree.

### The Discourse of Freedom

At this point, it would be beneficial to reflect on certain historical cases where securing and controlling oil interests in the so-called Middle East was actually referred to by name within the context of “defending freedom”. This was always the case with Saudi Arabia, where the history of the American monopoly over oil in that country goes back to the 1930s. Indeed, this partnership has never faltered, with the United States developing an intense allergy against any form of interference in it, by friend or foe. In Saudi Arabia itself, defending Saudi oil took on the face of defending faith against atheism and communism and of defending tradition against modern nationalism. As for the actual term “freedom” being used in the context of protecting oil interests, it was first employed against ‘communism’ as early as the Eisenhower administration to justify its support for Britain in its scheme to depose Iran’s relatively enlightened national leader, Mohammad Musaddiq – a scheme which actually originated from Britain’s fear of Musaddiq’s attempts to nationalize Iran’s oil industry. America was amply rewarded for its efforts in supporting freedom against communism and for bringing Iran’s Shah back to power. The United States would receive 40% of the shares in the conglomeration of companies that administered oil exploration and refinement

in Iran, as its share in the British-Iranian company that had a monopoly on Iran's oil industry up until then.<sup>5</sup>

With that, there is a difference, and a fundamental difference at that, when it came to the neo-conservatives; this difference marked the American administration after September 11. And, that was in the way the right wrenched the idea of “utopia” and the semi-religious theories of salvation away from the left; and in their effective use of violence to implement them; and in the way entire societies were changed under the facade of the democratic pretext that all societies are equal and similar, and that there is no society or culture that is not compatible with democracy. (Here, we note the ramifications of the alliance of the former left, on the local level, with this ‘enlightened discourse’ of the neo-cons). Indeed, these premises did not prevent holding local societies responsible if the export of democracy to them by way of war failed. For example, after the rise of the Iraqi resistance and as the American project began to falter the neo-cons did not blame their project. Iraq, its culture and its sectarian system – a system born under the shadow of the occupation – were all held responsible for the failure of the project undertaken to ‘export democracy’ to Iraq.

This is what the neo-conservatives did and this is what characterized their policies. They justified investing in the use of force to change human beings and societies. In this, they were similar in their approach, in their reasoning and even mental constitutions, and in the mode of their intellectual campaign, to the Jacobin vision in history and to the Bolsheviks and Trotskyists, and others like them, in their theories of how societies are changed<sup>6</sup> – theories that later would be actually employed by the right.

This utopia was seen as being appropriate and valid at all times and in all places. That is why those who campaigned for this utopia appeared not to be racist; and that is why they rejected the notion that other cultures and societies may have the right or the privilege to accept (or not to accept) their democratic utopia. Furthermore, neo-conservative theories resembled salvation theories in their excessive political divisions, which categorized people and states as either absolute good or absolute evil – with all the simplification that this kind of division entails, and with all that this kind of division entails in defending and justifying the crimes committed against what is “evil” and the crimes committed for the sake of the “good”. All this is not withstanding the fact that the entire “enlightened world” looked on as this violent utopia – represented by the neo-conservative radicals and militant secularists, their vision of what America and its historical mission was meant to represent – was being propagated,

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5 Chalmers Johnson, *The Sorrows of Empire- Militarism, Secrecy and the End of the Republic*, New York: Owl Books, 2005, pp. 220-221.

6 Here it is advised that one reads the very good review of this subject by the enlightened liberal writer, John Gray, in which he classifies the neo-conservatives and the Bush administration in the category of political religions that believe in utopia, and that justify the use of force of whatever degree required to achieve this utopia. John Gray, *Black Mass: Apocalyptic Religion and the End of Utopia*, New York: Farrar, Straus and Giroux, 2007.

stunned by the impact of religious Christian fundamentalism itself and by the impact of religious politics on American foreign policy.

## Fundamentalist Foreign Policies

It is not enough to say that 90% of Americans polled are believers. And it is not enough to say that 80% of these faithful Americans believe in miracles in one form or another. Indeed, fundamentalist churches and their opinion on 'what is good and what is evil' have come to significantly influence American politics. Here, we do not mean that their influence increased merely on issues such as pregnancy and abortion, homosexual marriage, and the call for a return to religious teaching in schools alone. Their role has increased exponentially when it comes to imposing their view of how American foreign policy should be conducted, and in what they imagine is America's prophetic role in history in the fight against "evil" – or against Islam, for example –, and in their frank view of the role of America and Israel in bringing about the end of the world and speeding up the Second Coming of Christ, the Savior.

Even after George Bush Junior's exit from the scene, all of the aforementioned will remain influential in America's generally tolerant political culture. Here, and only in passing, we can begin with the desperate attempts made by then presidential candidate Barack Obama to ensure that he "personally stands in all his devotion before Jesus Christ" and that he "has opened his heart to Him" – in a country that is supposedly secular – and end with the religious discourse on "good and evil" that has infiltrated the American political arena and its international relations. If a normal person reexamined the televised debate that took place between Obama and McCain, in a California church facilitated by the preacher Rick Warren<sup>7</sup> whose main aspiration is to become the heir to Bill Graham, one would be shocked by how these presidential electoral campaigns were managed. One would be shocked by the very serious role that religious preaching played in them and how religious terminology was inducted into the language of an electoral campaign that was taking place in a presumably secular state. It is not enough that the first public debate between the two candidates took place in a church, and that priest and preacher set the pace for it, but also that priest and preacher mediated and managed a great deal of the debate on each candidate's platforms in "confronting evil". Literally. The preacher actually directed the following question to both candidates, with all seriousness, "What are your plans for confronting evil?" This oversimplification in dealing with issues when explaining them to the public distorts public opinion and popular political culture. It also leads to dealing with the complexity of issues facing the world in a semi-religious manner and to demonizing political adversaries. Finally, this

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7 On 12 July 2008, the candidates agreed to an invitation to this debate, which took place on 16 August 2008 before the public, and which was mediated by the priest Rick Warren at the Saddleback Church, a mega-church in Southern California.

political culture does not disappear overnight, even with the end of the Bush era. Obama's affirmation of his own Christianity and the fact that any branding of him with Muslim traits was considered as sullyng his reputation (although this was the intention and that is how it was conceived) are proof of the extent to which this discourse has infiltrated the American public sphere.

## Failures and Internal Rifts

The instruments and objectives put in place over a short period of time between 2001 and 2003, and agreed to by both liberals and neo-conservatives, led to catastrophes that divided the two camps in the United States, and led to a return to the usual state of affairs of exchanging accusations. The repercussions of the collapse of the state in Iraq, the rise of the Iraqi resistance, regional and international repulsion at the outcomes of this aggression, the failure of the so-called 'War on Terror', and the failure of the American war by Israeli proxy against the Lebanese resistance altogether led to the erosion of America's international standing and to a confrontation between the two camps inside the United States. This reality would lead to policies being modified, but not necessarily to an awakening of national conscience. The liberals began to sharply distance themselves from the neo-conservatives, but the first action was taken by the conservatives through the so-called Baker-Hamilton Commission and the resignation of Secretary of Defense, Donald Rumsfeld, and the rise of Robert Gates with a totally new style of military policies combined with diplomacy, and through him unprecedented involvement of the army in diplomacy and decision-making. The army rose from the experiences in Iraq and Afghanistan as one of the "victims" of the Bush-Cheney administration. Finally, the era of a more tolerant American public and international community when it came to the American policies of the post-September 11 period was coming to an end. All this took place prior to the Georgian affair and the revival and rise of Russia's nationalist policies.

The conservatives had begun to flounder between their long-standing policy tendency of isolation and the obligations necessitated by American involvement and their responsibilities towards its new allies. This was especially the case as America's new allies had depended on the international balance of power to change their local formulas and national conditions to their favor.

The era and spontaneity of trigger-happy days suddenly ended. The ability to speedily dispatch troops without constraint in the case of crisis, such as in Lebanon in 2006-2008 and in Georgia in 2008, also was no longer possible. Indeed, in both the cases of the Lebanese and Georgian crises, American destroyers banked on their shores only to disappear or stand idle. All that would remain is the kind of local leadership that barely hovers on the surface as an ally of America, in an atmosphere blistering from America's active policy of aggression, and a captive of its own disappointments.

It soon became abundantly clear, albeit at a very high cost, that they needed to change their policy and the way they dealt with the local power map, which in



no way resembled the international balance of power. It also became clear that local powers had been neutralized at decisive moments, and that imposing the international balance of power on local power maps was a formula that erupted into wars and led to disasters that, in the end, the United States could not contain or resolve. This became clear with the nightmare of Iraq, but it was also true in Lebanon, where the international balance of powers couldn't be imposed on the local one. Regionally, powers aligned with the United States would now attempt to regain some partial independence in formulating their alliances and their relations. Turkey is a case in point.

### Resurgence of the Nation-State?

Today, in one form or another, we are witnessing a return to the chain of events that commenced prior to the events of September 11. Here, I mean an increased global constriction in unipolarity, with the difference being that today we are witnessing a general resurgence of the nation-state with a larger emphasis being placed on the role of larger, more powerful nation-states. It has become possible today to differentiate between these greater nation-states and the superpower, which is a term that is still applicable to only one state – a state that spends 45% more on armaments than all the other states in the world put together, an amount which constitutes only 4% of America's Gross Domestic Product (these being the objective and measurable criteria used in designating a power as a superpower). However, and without a doubt, there are states in existence today, which are trying to play the role of regional, greater nation-states, and which are trying to regain their independence in making decisions related to their own national interests. This situation undoubtedly reflects into an eroding American hegemony and in constraints that have been put in place to limit this hegemony.

Of course, of these rising economic powers are India and Brazil, both of which are not in positions of adversity but rather are allied with the United States. One could safely say that in India, America has gained an important ally in Asia – not all rising powers are like Russia and China. But then again, of course, China and Russia are China and Russia.

## Part 3: The Post-Bush Era

### After George

International relations and politics have crossed the threshold of the post-Bush era, regardless of the name of Bush's heir to the White House. Of course, this does not mean that the 'post-America' era has begun, as some would wish. America's hegemony has not yet reached this level of deterioration, disintegration or dissolution.

Throughout America's transitional election year of 2008, the Arab region and the Middle East – or the areas most inextricably tied to the Bush era and the American policies that were an outcome of that era – witnessed a general retreat in America's policy of aggression and in its alliances. Subsequently, local opponents of American policy in the region launched their political counter-attack. The July 2006 War would be just one of those examples with one of the official [Israeli] objectives of the war waged on Lebanon being to liberate their prisoners by a show of force. Its defeat in that war (which was identified earlier as being an American war by Israeli proxy) was crowned by the negotiated prisoner exchange that was concluded after that war ended. After the July 2006 War and after much hesitation, Hezbollah also put an end to the stalemate between those loyal to the governing pro-Western March 14 coalition and those loyal to the Hezbollah-led opposition in Lebanon when they invaded government-loyalist positions and locations in Beirut and specific areas in the mountains on May 7<sup>th</sup> and 8<sup>th</sup> in 2008. A unity government was formed, which had originally been a political demand [of the opposition] anyway. The May events were a counter reaction to an experiment by America's allies in Lebanon to test the extent to which they could force Hezbollah's hand on the issue of the armed resistance, and was a reaction to the government-loyalists' attempt to change the prevailing status quo unilaterally. Indeed, it is possible for a scholarly historical imagination to view this attempt by the Lebanese government as being a microcosm or “dress rehearsal” of what Georgia would attempt to do in South Ossetia two months later.

In the same year, Iran declared that it intended to continue enriching uranium and that this matter was not subject to negotiations with the West. And Syria, the target of a Western boycott, began to forcefully break out of its isolation. Ramifications of the schemes planned against Syria after September 11 and after the occupation of Iraq began to take effect. One of the milestones in the boycott against Syria was the resolution sponsored by the French and the Americans and passed by the General Assembly in 2004 (after the war on Iraq and under the resolution number 1559), which called for the withdrawal of all foreign troops from Lebanon and for an end to the ‘role played by armed militias’ there – in this context, the former meant Syria and the latter meant Hezbollah. The passing of this resolution took place within the same continued wave of assaults against the region, embodied by the war on Iraq that was more like a hurricane that shook the foundations of all the givens. It was a hurricane that led to a change in the positions of politicians and intellectuals, sweeping them into the American camp, which appeared to them to be able to preempt, initiate, attack and triumph with unimaginable speed. The isolation of Syria would only intensify after the assassination of Rafiq Hariri, Lebanon's former prime minister.

Syria had been trying to shake off its diplomatic isolation by way of indirect negotiations with Israel, and by renewing its relations with France through Qatar's assistance on the one hand and Turkey's help on the other. At the same time, Syria did not hesitate to blatantly display its official and open support



for the Russian attack against Georgia in statements made by no other than its leader. It also made no secret of its ambitions to use the Georgian development in Russian politics to improve its military stock of armaments against Israel, particularly after the extent of Israel's military and political involvement in Georgia was exposed.

## After Georgia

On August 7<sup>th</sup> of 2008, in a spirit typical of the Bush era and with the ignorant disregard for outcomes also typical of this period, Mikhail Saakashvili attacked South Ossetia which, along with Abkhazia, represented one of the two de facto independent provinces that had seceded from Georgia. The Russian reaction was immediate and overwhelming, to the point that one could suspect they were actually prepared in advance – as if this kind of idiocy was to be expected of Georgia and that it had rushed to prove its own idiocy so easily and quickly. Russia's lightning response was unanticipated and startling. It was not to be content with merely expelling Georgian troops from South Ossetia; Russia would make a show of overwhelming and disproportionate force to set an example for all the other provinces.

Afterwards, and despite Western condemnations and the dispatch of US battleships to the Black Sea, Russia went on to recognize the independence of Abkhazia and South Ossetia. This act of recognition was openly portrayed as a form of 'reciprocal treatment', which responded to the recognition of Kosovo's independence by many Western states, in February of that same year, after a blood-letting that lasted seven years in which all of Serbia was bombed, notwithstanding Kosovo itself, which was targeted in 1999.

No matter how hard the Western media tried to create a distinction between the cases of Kosovo on the one hand and that of Abkhazia and South Ossetia on the other, it always came out the loser. This was not because of the parallels that Russian President Medvedev drew between the two situations – at Serbia's expense, one should note –, but rather because Russia employed the same rationale used by the West in Kosovo to justify Russia's behavior in South Ossetia. This tactic forced the West to retrospectively reassess the wisdom of its earlier recognition of the independence of the Kosovo province, which had always been a part of historical Serbia. The fact that the majority of Kosovo's population is Albanian did not make a difference. Indeed, there was international sympathy for secession even when the situation was reversed, or when the majority of a province's population was Serb. In the case of Bosnia's independence, it was much easier to justify because Bosnia had, once upon a time, been an emirate; and although its population is made up of a majority of Serbs, most had converted to Islam during the Ottoman period in the Balkans. In any case, despite the fact that the majority of the population of the Kosovo province is Albanian, Serbs and Russians do not consider Kosovo as merely Serbian, but the cradle of Serbian nationalism itself. In the end, if provinces were to begin to ask for independence based on

the composition of their populations then not only the Soviet Union but Russia itself would be torn apart, as would certain Western countries like Spain. Indeed, it was no mere coincidence that Spain opposed the independence of Kosovo in February of 2008.

Medvedev, Putin and the Russian media, for that matter, never attempted to make claims that Russia's conduct in Abkhazia and South Ossetia was more righteous and more just than that of the West in Kosovo. Instead, Russia justified one with the other. In some cases, Russia adopted the discourse of protecting Russia's national security at its borders, and in other cases of protecting its vital interests in what was once the Soviet Union. Naturally this was not the ideological discourse of a political camp claiming it was offering a set of alternative values, which differed from another camp. It was just another state adopting the language of national security, national interests and national sovereignty in its discourse, nothing more. It was definitely not a return to a bipolar system of conflicting ideologies and alternative political systems, nor a return to the Cold War.

## Cold and Hot Wars

Why do we say that? Because, the term 'cold war' does not necessarily mean the existence of two camps with two global discourses; and, in turn, this meaning is not necessarily or automatically inferred to by the term cold war. The Cold War is a term used to describe the international relations that prevailed between two camps during the years 1949 (the year the North Atlantic Treaty Organization (NATO) was established and the American monopoly on nuclear technology was breached by successful nuclear testing in Russia) and 1989 (the year the Berlin Wall was brought down). It means many things except for that which its words literally denote. What can be understood from this term is that the tension between the two camps never escalated into a direct or hot war between them.

But, firstly, the period in which the balance of terror emerged between the two camps after the World War II, in reality, translated into a series of hot wars in Korea, Vietnam, Afghanistan, Latin America, the Middle East and Africa. With the exception of Europe, this Cold War was not actually cold; it shed the blood of the Vietnamese, the Koreans, the Arabs, the Americans, the Africans, the Indians and the Pakistanis. But it did not shed the blood of Europeans. Indeed, there was an implicit agreement between the two camps that European security would be preserved after the two World Wars. This agreement was later made official and crowned by the Helsinki Accords, which represented a rare moment of consensus between the two camps, and which preserved the security of Europe and divided it into spheres of influence. The accords also included an agreement between the two camps on preserving the security of Israel in spite of its colonial character, even while the Soviet Union provided support for the Arab regimes; and, finally in a later stage, an agreement on getting rid of South Africa's apartheid regime.

Secondly, the Cold War manifested itself in an international division that was an outcome of World War II. It did not respect the system of nation-states

that emerged in Europe after World War I, which was encouraged by Woodrow Wilson's principle of the right to self-determination. Instead, throughout the Cold War, the international balance of power emerged out of respect for a nation's allegiance to one of the two camps, within spheres of influence, and not out of respect for national boundaries. Thus, for these purposes, it was of little importance how many nationalities Yugoslavia was composed of, or Czechoslovakia or the Soviet Union, for that matter (especially in the western region of the Soviet Union after the annexation of the Balkan states and in the Caucasus republics, where Stalin's forced migration policies as a response to the "national question" in the 1930s and 1940s set the groundwork for the catastrophes now erupting across Russia itself). In the end, what mattered was what sphere of influence a nation lay in, and to which camp it belongs. Subsequently, a bloody struggle over these spheres of influence in Asia, Africa and Latin America took place. Only in Europe were spheres of influence divided by consensus and in final form between the two camps. The divisions in all the other continents were bloody and manifested themselves in several infamous wars in the second half of the 20<sup>th</sup> Century.

At the same time, it would not be accurate to say that the nation-state has witnessed its demise after the collapse of the bipolar system. On the contrary, it is clear that the nation-state has experienced resurgence. Elsewhere, we put forth the claim that it was not mere coincidence that nationalist revivals took place first in Poland, followed by other separatist, nationalist revival movements under the banner of such labels as 'civil society' in the Balkan Republics, Yugoslavia and Czechoslovakia.<sup>8</sup>

Thirdly, and most importantly, the Cold War – which was, clearly and in reality, a hot war except for in Europe –, was obviously a war between two camps where both claimed their camp upheld a socio-economic model that was appropriate for all of humanity. Accordingly, and at the very least, this allowed them to justify their claim to the right to 'build nations', if not to rebuild human beings themselves (as was the case with Communism).

#### Alternative Global Ideologies?

Today, the way certain zealous literature equates the collapse of the Soviet Union to the "end of history" may appear absurd. However, in this paper, I am calling for some restraint in this sarcasm and ridicule; even the theory that proves itself a false theory deserves the name 'theory', if it reflects a scientific effort and a core truth. For Fukuyama the core truth is not in the axiom of history coming to an end, but rather, according to his assessment, (and that is also our opinion today) that with the collapse of communism there no longer exists and, in his opinion, will never again exist a state which bears a socio-political theory that can lay claim to being valid and appropriate for all nations as an alternative

8 This was included in my book, published in 1997 by the Center for Arab Unity Studies in Beirut, under the title *Civil Society: A Critical Analysis*. It was published for the first time in 1996 by Muwatin, the Palestinian Institute for the Study of Democracy, under the title *A Contribution to the Critique of Civil Society*.

for liberal democracy. On the same note, Huntington's claims in the "Clash of Civilizations" are refuted by Fukuyama: the *Confucian civilization does not offer an alternative global ideology to liberal capitalism and nor does Islam, for that matter.*

If we put aspirations and slogans aside, with all its dynamism, activities and its reputation, whose fame has reached global proportions, political Islam can scarcely present itself as an alternative to the Islamic states and Muslim communities themselves. This is notwithstanding the fact that political Islam does not have any specific political system, not to speak of an economic model to offer. Its critics in Muslim communities point to the latter as one of the major shortcomings of political Islam. Indeed and in reality, political Islam is really only involved in a struggle in parts of the periphery, and in a struggle between the periphery and the center, and not in a global struggle where it offers the peoples of the world an alternative in the struggle against liberal capitalism. This reality is contrary to the fears and concerns raised by the neo-conservatives; this is also contrary to the ideas of the conservative Huntington and those of his disciples. Political Islam is a serious challenge from the periphery, but it does not provide a global alternative like socialism did.

Obviously, this does not negate the fact that, even after the occupation of Iraq and the events in Georgia, Fukuyama did not learn his lesson. He remains a firm supporter of America fulfilling its historic mission, which is to spread democracy across the globe. The only new angle is that he makes a distinction between this historic mission and between expanding NATO and the risks of going to war for that purpose.<sup>9</sup> According to Fukuyama, the responsibility of NATO allies is to protect NATO members from any aggression; this may involve America in wars with Russia that it cannot afford or handle.

## **Part 4: Multiplied Unipolarities vs. Multipolarity**

### **Dynamics in Russia**

There is a certain symbolic truth to the fact that, after Yelstin appointed him acting prime minister, Putin's rise to national glory in Russia came by way of his firm stand in Chechnya. Putin invaded Chechnya immediately after his appointment in 1999. No doubt, his security background – reminiscent of glorious days past – helped; as did having the entire security apparatus and military strength to his advantage. He made the decision that he would win the war against the separatists in Chechnya, no matter the cost, even if the price of his popularity meant the total destruction of Grozny. This popularity, in addition to the way he clearly exploited the state and his authority in under a year from his appointment, took him all the way to the presidency.

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<sup>9</sup> Francis Fukuyama, *Financial Times*, 2. September 2009.

In the same year that Putin launched his efforts to halt the deterioration in Russia's international standing, the year 1999, Poland, the Czech Republic and Hungary joined NATO, capping a process that had been ongoing from 1989 to 1994. During these years, the Baltic States were torn apart, the Islamic states in Central Asia emerged and Belarus and Ukraine achieved their independence. Yugoslavia also began to disintegrate, encouraged by Western Europe, especially Germany, which fulfilled a long-standing dream of placing Eastern Europe under its economic hegemony, and later, the United States as well. With the rebellion in Chechnya, this process of disintegration was introduced into the very heart of Russia itself. It was, therefore, imperative to put a stop to it. From this point forth, this is what Putin would work towards with a resilience, patience and perseverance which finally culminated in the military intervention in Georgia nine years later.

The outcome of the aforementioned held certain significations at its very core: Firstly, Putin's political strength did not lie in a global ideology that characterized a global camp, but rather in a Russian nationalism, which restored faith in the state apparatus, and which was rooted in international capitalism and addressed what consciousness and popular ideology remained of Russia, the superpower. It clearly rejected what appeared to be the West's exploitation of Russia's period of weakness in order to strip it of even more territory. Secondly, contrary to an ideological position, a patriotic and nationalist position is not as persistent or consistent in foreign policy on the global level. The latter do not emerge from an intellectual or political principle, but rather from what patriots or nationalists perceive to be in the best interest of the nation and its national security – or what the ruling elite and social classes perceive as such on behalf of the nation. Consequently, nationalist, patriotic Russian politicians feel justified in suppressing a separatist movement, using military force, in their own country on the one hand, and feel equally justified in using military force to support a different separatist movement in Georgia, for example.

It is true that the Georgian nationalist leadership committed crimes in Abkhazia and South Ossetia in the 1990s. It is also true that Saakashvili's last assault included a criminal bombardment of the capital Tskhinvali. But one must also take note of the fact that the Abkhaz deported 200,000 Georgians from the region.<sup>10</sup> Russian support for the separatist movements in South Ossetia and Abkhaz, therefore, did not emanate from a position of supporting 'good' versus 'evil', or even preferring what is ideologically right to what is ideologically wrong. No one is good or evil in this case. And there is no ideological struggle about an idyllic socio-economic model in this case, from political decisions may be deduced. Rather, the world was witnessing Russia's return. But, this time, Russia would return to the scene as a nation-state with national interests and with national security interests. It is these interests that motivate Russia's rejection of the continued assault on its borders by the United States – from installing missiles

<sup>10</sup> *The Economist*, 30 August – 5 September 2008, pp. 27-29.

in Poland to recruiting Ukraine and Georgia into NATO, to the Americans using the war in Afghanistan as a pretext to establish military bases in former-Soviet Central Asian countries.

Here, the weapon employed is neither ideological nor missionary, nor is it a struggle for garnering public opinion. Today, it emerges in the form of brandishing threats to cut off gas supplies to the Ukraine or direct military intervention in Georgia. One can always rely on European political opportunism. The Europeans have raised the bar on opportunism to the point that it has almost become an ideological principle – to the extent that one can actually depend on European opportunism to predict their postures and calculations. Accordingly, Russia could make the substantiated assessment that once the smell of the American retreat reached the noses of the Europeans, the Europeans would actually do nothing.

Europe will not risk any undue tensions with Russia as it fears the ramifications of any developments that could affect Russian oil and gas imports (which Europe buys from Russia at a price that is low relative to the market price). Europe also fears for the stability of its backyard, Eastern Europe; and European political parties in power fear any prospect that could lead to electoral defeats, come election time. The peoples of Europe do not want tension and do not want any wars to take place on European soil; nor do they want anything to happen that may lower their standards of living. Finally, when and if their countries did commit to war, then, by God, they were not going to be amongst the dead; nor were they going to accept any decline in their standards of living to that end. Simply put, this is why Germany and France are less than enthusiastic about the membership of the Ukraine and Georgia in NATO. It also explains why Sarkozy so quickly made his way to Russia – in all the glory of his person as the peacemaker from the American camp; and why, as certain Russian newspapers put it, Sarkozy was so upset when Medvedev declared an end to the war one day before Sarkozy's arrival. It appears he would have preferred the war to drag on a few more days and end owing to his visit.<sup>11</sup>

### Limits to American Hegemony: New Sovereignties

American policy is in retreat today after the end of the Bush era. Indeed, the world witnessed the peak of the unipole's aggression during those years, from 2001 to 2006. The chapter articulating the launch of this era began when George Bush Senior was in power with the war in Kuwait and with the first signs of disintegration in Yugoslavia. It continued with the subsequent Clinton administration's interference in Serbia, Somalia and Afghanistan, and finally peaked with the second Bush era. However, this American retreat has not come about in the form of the rise of an alternative camp with an alternative theory and model;

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<sup>11</sup> Mikhail Zygar and Vladimir Solovev, *Kommersant-Vlast* Russian newspaper, 18 August 2008.



rather, it has opened the way for a more active nation-state and a more effective popular will.

Today, we are not standing before more than one alliance and several allied powers acting against one specific power. What we have before us are several larger, more powerful nations that are developing their way to capitalism, and that remain outside the Western camp. However, these nations do not offer a political or ideological alternative for the entire world to use against the United States. What we have before us are diverse sovereignties and various perspectives when it comes to guarding vital national interests and national security. The carriers of these sovereignties and patrons of these perspectives are not trying to impose themselves on the world the way America does. The former are satisfied with setting certain constraints to the unlimited, unmonitored power of the United States, which has not been held accountable internationally. And, today, it is possible for a democratic power, which has been harmed by American hegemony, to actually align itself with America if their interests converge. At the same time, it is also possible for undemocratic powers to do the same.

A new camp has not risen to spark another cold war. Rather, new life has been pumped into the interests and concepts of politics and national security of nation-states that, today, are more self-confident before the one superpower. These nations do not want this superpower to dominate their policies and capabilities. They aspire to place limits on America's freedom to impose its will on others, and to impose constraints on the unlawful expansion of America's security interests.

*The Economist* Magazine, which has been a staunch defender of global market economics, and which has been characterized for years by its extreme hatred of Putin (who it accuses of pushing the market-economy wheel backwards), holds Russia responsible for what took place in Georgia. It accused Putin of unrelenting aggression against any of Russia's neighboring countries that attempt to "befriend the West" or that "adopt market economics and democracy"<sup>12</sup>, such as the Ukraine and Georgia. At the same time, it describes Mikhail Saakashvili as follows, "Mr. Saakashvili is an impulsive nationalist, who has recently sullied his democratic standing. His invasion of South Ossetia was an idiotic maneuver, perhaps even criminal. However, contrary to Mr. Putin, in general, he has led his country towards democracy. He has limited corruption and spearheaded rapid economic development that is independent of rising oil and gas prices, contrary to the case of Russia..."<sup>13</sup> (Here it would be noteworthy to remember that Georgia contributed troops to the armed forces that occupy Iraq today. In other words, Georgia has cooperated in an unjustified aggression against a country, which is larger than Georgia in size and which is much farther from Georgia than Georgia is from Russia.)

<sup>12</sup> *The Economist*, 16-22 August 2008, p. 9.

<sup>13</sup> *Ibid.*

Many former members of the Warsaw Pact are members of the NATO alliance today. However, of Russia's immediate neighbors, the only countries that made their way into NATO were the Baltic States. This took place in the 1990s when Russia was very weak. The measures Russia has taken recently are an indication that the situation has changed. It has rejected the installation of the missile defense shield in neighboring Poland. It has refused the membership of any former Soviet Union country in NATO. And it has tightened its grip on the Caucasus.

## Competition over Raw Materials

The ideal oil pipeline route to the West passes through Georgia – from Baku to Tbilisi and from there, it branches off to Supsa on the Black Sea, or through Turkey to the port of Ceyhan on the Mediterranean. Georgia was supposed to represent a country of safe passage for the transport of oil from the Caspian Sea to the Black Sea, or through Turkey to the Mediterranean, without passing through Iran or Russia. However, when the conflict was taking place in Georgia, the only operational pipeline passed through Baku on the Caspian Sea, through Russian territory to the port of Novorossiysk on the Black Sea. Had the problems between Armenia and Azerbaijan been resolved then, at least, the former could have presented another conduit to Turkey. Turkey understood the importance of these developments and thus took historic steps to improve its relations with Armenia. That is how a sovereign country, such as Turkey, behaves.

But Russia was not going to remain satisfied with only one gas pipeline stretching from Azerbaijan through its territories. So, it invested with Iran in a joint pipeline that crosses through Pakistan, India and China. The latter is in addition to other investments in Iran undertaken by Russia and China to develop Iranian oil and gas production, pumping and transport – to the amount of almost US\$ 18 billion from China alone. This kind of conduct is characteristic of this new era. China's surplus capital is seeking new horizons for its investments without having to involve itself or commit to agreements made amongst Western countries; and, sometimes even acts in blatant contradiction of sanction schemes and plans to wage war, for example, against Iran. In this case, we do not have a new global camp, but rather a capitalist power, and the capitalism of a rising industrial state, with a renowned military power and the immense political legacy of a superpower, which exists outside the realm of American influence. There is no doubt that this kind of power can create opportunities to build on mutual interests with other states and powers that also exist outside the framework of American influence. This is what is happening with China in Africa. It has entered this continent with its capital surplus, seeking investments and securing raw material where no Western competitor exists. These kinds of opportunities arise particularly in countries that the West considers rogue states; but, not in these kinds of states alone. It is only natural that this new giant would try to penetrate countries like Iran, Sudan and Zimbabwe, where no competitor exists



for political reasons such as sanctions or embargos set in place by the West. As for Russia, the majority of its foreign investment remains focused mainly on the oil industry and on expanding markets for its military armaments.

## Superpowers within Frontiers

In September 2008, on behalf of a crippled American administration, Cheney's reaction took the form of visiting conflict zones and insisting on Georgian and Ukrainian membership in NATO. His response did not bode well for the unipolar world when it came to developments taking place on the Russian front. Cheney's attempts to reassure Georgia, Ukraine and countries in Central Asia that they could depend on the strength of America did not and will not stand the test of reality. Indeed, as soon as Cheney returns to his country and leaves the White House, he will also leave behind the states and populations of these areas before a reality in which they are confronted by neighbors the size and strength of Russia and China – countries whose interests are impossible to ignore. This is particularly the case after Russia and China regained the self-confidence that has come to characterize their foreign policies. Today, they are acting like superpowers within their frontiers, at the very least, before developing the policies of superpowers on the global level. We have witnessed this in the case of China with Burma and North Korea, and have witnessed this in the case of Georgia and the Ukraine with Russia. We will more than likely see this in the case of Iran in the outermost ring of these frontiers.

There is no doubt that also in Latin America the traditional left has begun to benefit at the margins of democracy and from the inability of the United States to continue with a Cold War approach when it comes to democratically elected governments in states like Venezuela and Bolivia. What is more important is that the regimes in these countries, which are critical of America and oppose its policies, have begun to explore channels of cooperation with countries in the East that have already rebelled against the dictates of the unipolar world. This is not an omen that points to the rise of a new global camp. Rather, it is a sign of a strengthening nation-state and of the nation-state's growing ability to maneuver more freely in this new world; all of which constitutes neither a new global camp nor a new cold war, but a new reality.

## A New Reality

In this new reality, a regional Arab state capable of exploiting these new international conditions remains absent. What also remains absent is any form of political coordination or cooperation between Arab states to fill the political vacuum that is progressively expanding in the region in the wake of America's eroding power and influence. In the meantime, Iran and Turkey have been trying to reach an understanding and a common reading on how to fill this vacuum. While the Arabs invest in the myths and facts pertaining to the differences

between the Ottomans and the Safavids, inflaming and inciting these differences between them, and transforming them into sectarian struggles, the grandsons of the Ottomans and the Safavids themselves are arriving at an agreement on how they want to arrange their affairs in the wake of the security and political vacuum that very soon will be left in an Arab state, after the American troop withdrawal from Iraq, for example.

In this new reality, which facilitates the construction of new international alliances and the meeting of interests against the politics of America – where there is a will –, only the Palestinians are left behind, besieged in their confrontation with the American-Israeli alliance as if it were destiny. And, it is not destiny.

PARAG KHANNA

# A New Geopolitics for a New Middle East

Empires are back – and it is historically appropriate that the Middle East would be the region where the trend is emerging most strongly. Arabs and Muslims have defined their own geopolitics and boundaries at various times in their history. When Baghdad ruled the Abbasid caliphate from the 8th to 10th century AD, it was the mightiest of Muslim empires, stretching from North Africa to Central Asia. Around 1700, four Muslim empires – the Sharifian in Morocco, the Anatolian Ottomans, Persia’s Safavids, and India’s Mughals – ruled most of North Africa and Eurasia. But the modern Middle East is shaped more by non-Arab and non-Muslim empires: Ottoman, British, and French. As a result, the region earned the label “shatterbelt” during the Cold War to reflect just how fractured the Arab world had become. Geographer Saul Cohen described it as being “incapable of attaining political or economic unity of action” due to “marked internal differences” and because the region was “crushed between outside interests.” What is the future of this imperial dynamic?

The resurgence of empires coupled with globalization has resulted in the accelerated appearance of multiple superpowers on the world stage. America’s “unipolar moment” was just that – a fleeting moment. Both Europe and China have emerged from America’s Cold War regional security umbrellas to not only define their own security paradigms, but to project their influence worldwide. 19th century analogies are wholly inadequate to capture the complexity of this geopolitical marketplace. The world has never before witnessed this sort of truly global competition among superpowers which are not all Western (such as China), nor even states as conventionally understood (like the EU). Furthermore, measuring power in static terms is inadequate to capture the growing relevance of regional systems. China does not need to compete with the US in Latin America to become the preeminent power in the Far East, its own region where more than half the world’s population resides. Furthermore, the other great powers no less relevant in their own domains – Brazil, Russia, India and Japan – are also factors in the global balance of power. Geopolitics has never experienced such flux.

One scenario might be that as regional institutions deepen – from the European Union to the nascent African Union – the building blocks of global order may become regional blocks interacting in an inter-regional paradigm. In the Far East, the ASEAN Regional Forum and East Asian Community increas-

ingly manage Asian security, while a Union of South American Nations (USAN) is forming under Brazilian leadership as well. This emerging order therefore cannot be captured through trite phrases like “East replaces West,” “Pacific replaces Atlantic,” “China displaces America,” and other clichés. All of these powers and zones will be dynamically interactive.

Globalization also means that there are many other ways to think the structure of the world: nations, economies, markets, religions, diasporas, careers, class, and more. At the very least, to understand global dynamics today we should think in terms of planets (the great powers), comets (the lesser powers), constellations (regional and multilateral organizations), gravitational pulls (from financial markets and moral crusaders) and even cosmic dust (terrorists, pandemics) – all of which can cause serious atmospheric disturbances. All of these actors and players, threats and challenges, are a factor in world order debates today.

The global financial crisis has only accelerated this trend towards the non-Westernization of power and highlighted the importance of non-state actors in global politics. Many analysts argue that while America’s stimulus has been a shoddy display of improvisation, China has channeled the equivalent of US\$ two trillion in Purchasing Power Parity (PPP) terms into sensible job-creating sectors and infrastructure. This has not hindered its ability to project influence overseas, as it has also pursued loan-for-resource agreements in multiples of US\$10 billion with Russia, Kazakhstan and Brazil. The geopolitical playing field is increasingly level – and the Middle East is once again a crucial playing field.

## **The Mediterranean Union**

The steady widening and deepening of the European Union has powerful implications for the way we conceive of the Middle East as a region. Increasingly, Arabs of the Maghreb think of themselves as North African or even southern Mediterranean rather than Middle Eastern in the conventional sense. Much of this has to do with the fact that the Maghreb countries – Morocco, Algeria, Tunisia, and Libya – are each more than two-thirds dependent on EU states for their trade and investment. This combined with the natural gas now flowing through multiple pipelines under the Mediterranean to southern Europe, creates the invisible bonds of what French President Nicolas Sarkozy calls the “Mediterranean Union” whose southern border is the Sahara Desert.

Europe’s piecemeal “Barcelona Process” of the 1990s is now a more robust “Neighborhood Policy” in which serious cooperation is underway linking energy, trade, development, migration and political reform. Programs have been developed to curb illegal migration by setting up employment creation zones in Maghreb nations themselves, and developing industries from call centers to wind farms. Interestingly, part of what has strengthened these ties is migration from north to south, not just the reverse: European pensioners are now a major factor in the Moroccan economy. The combination of steady economic growth in the region coupled with stable political ties could mean that economic transi-

tion may finally lead to political change. Even absent the carrot of EU membership, the Maghreb region is increasingly becoming part of the Euro-sphere.

There are other crucial examples of Europe's growing influence in the Mideast region. First, the EU has won praise for its early and robust deployment of troops to southern Lebanon beginning in 2006. Then there is Europe's military role in the Gulf, from the presence of British warships alongside Americans in the Persian Gulf and Straits of Hormuz area to France's establishment of a military base in the United Arab Emirates. Furthermore, even before the financial crisis struck, Gulf countries had begun a gradual shift of foreign exchange reserve holdings towards Euros, and the EU is in the final stages of free-trade negotiations with the Gulf Cooperation Council (GCC). Lastly, the recent agreement to pursue the Nabucco pipeline option not only makes Turkey an ever more strategy energy corridor for the EU, but Iraq's pledge to provide up to 50 percent of the natural gas for the pipeline strengthens Europe's hand in the more turbulent part of the Middle East which it effectively borders through Turkey.

## The New Silk Road

The Prophet's *hadith* to "seek knowledge, even as far away as China," has instead brought China to the Middle East. Asians consume far more Gulf oil (which meets 70 percent of their demand) than North Americans, and America's harsh response to 9/11 and tighter visa regimes for Arabs were China's gain at precisely the time when Arabs once again had billions in oil revenue to spend – both because of 9/11 and rapidly rising energy demand in China and India. In the other direction, China's exports to the Arab world have now pulled even with the US at around US\$ 50 billion per year, a trend embodied in the sprawling Dragon Mart on Dubai's outskirts and Chinese car dealerships in Damascus. In addition to China's growing presence there, at least 10,000 Chinese work on building oil terminals on Saudi Arabia's Red Sea coast.

It is a sign of China's geopolitical maturity that it manages the superpower paradox of maintaining strong ties with mutual antagonists Iran and Saudi Arabia. China helps Iran to transcend the tension between its desire for strategic influence and its need for greater investment. For China, Iran is the final square on its hopscotch path to the Persian Gulf, meaning it could eventually avoid shipping Iranian oil by tanker through the Straits of Hormuz and Malacca, and instead transport it by road, rail, and pipeline across Turkmenistan, Uzbekistan and Kazakhstan. China and Iran have signed a vast array of energy, infrastructure, and arms deals: A US\$ 70 billion contract for natural gas from Iran's South Pars field (the world's largest); development of a massive oil field in Iran's Kurdish-populated region; building oil terminals on the Caspian Sea; construction of the Tehran metro; and ballistic missile technology and air defense radars to Iran. Publicly China has sided with the international community in urging Iran to abandon its nuclear program, but privately it is far from clear that China actually sees eye to eye with the West on this issue.

At the same time, an alliance between the “Middle East” and “Middle Kingdom” has been evolving under the radar since the 1960s when China began to sell missiles to Saudi Arabia. More recently, Saudi Arabia has actively courted Chinese investment while reciprocally financing a massive petrochemical complex in China’s Fujian province. Both countries share a similar style of centralized decision-making and exclusion of human rights concerns in diplomacy. Already many have commented that Saudi Arabia is not annulling its marriage to America, but has simply taken China as another bride.

These new Silk Roads from the Middle East to the Far East are not only oil-slicked, but also technologically enhanced through multi-lingual Business-to-Business (B2B) websites like Alibaba.com which have dramatically lowered the costs of trade between the Persian Gulf and China. Shifts in trade are usually followed by shifts in financial patterns, and here the evidence is equally revealing. Arab and Chinese businesses continue to court each other’s sovereign wealth funds. Oil trading, foreign investment, arms deals and the rhetoric of diplomatic alignment are all mutually reinforcing, and all have been bundled in increasingly frequent reciprocal summits between Saudi Arabia and China in which King Abdullah and Hu Jintao travel in planes full of executives eagerly signing deals.

## **Obama’s America and the Middle East**

Few would deny that President Obama had an energetic start as the new American president. In his first 100 days, he restored diplomacy to what it should be: taboo-free dialogue with any and all necessary partners. He re-opened multi-level ties with Syria and intimated positive potential relations with Iran. His administration has even floated pushing Israel to declare its nuclear status by joining the Non-Proliferation Treaty. Overturning Bush’s diplomacy of demonization, Obama liberally quoted from the Koran at a speech in Cairo. He seemed to replace the previous duality between fear and love with “tough love.” All in all, it is clear that Obama is sincere about turning around America’s image in the Middle East – even if it has not happened during the first half of his term.

But to genuinely engender a shift in perceptions of America across the region, Obama will have to undertake many rhetorical and substantive changes. He has done away with the term “war on terror,” but must also do away with generalizations about the so-called “Islamic World.” In his first formal international television interview as president, with the Dubai-based Al-Arabiya, he announced, “My job to the Muslim world is to communicate that Americans are not your enemy.” Then, speaking to Turkey’s parliament, he declared, “The United States is not, and will never be, at war with Islam.” But like many other Western politicians and intellectuals, the president vests the term with too much meaning, and by using it incessantly, he misses the chance to truly win hearts and minds. Just as there has not been any meaningful “Christian World” since the Holy Roman Empire, there has been no unified “Islamic World” since the Middle Ages. If Obama wants to lead the West in engaging pragmatically with Muslim nations,

he must take each on its own terms. This is the way to treat nations with respect, not vague references to their religion.

Similarly, democracy has never taken precedence over strategic interests in American foreign policy, and George W. Bush's "freedom agenda" was no exception. Strategic allies or partners such as Saudi Arabia and Egypt have never faced serious American pressure to democratize, and the more the US competes with other global powers such as China for influence in the Arab world, the less leverage it may have over its internal politics. If democracy were truly the centerpiece of foreign policy, then countries would receive support commensurate with measurable progress towards free elections, free media, impartial courts, women's rights, and market reforms. But this is done in very few cases, and where such moves are rewarded – such as Morocco and Yemen – the countries are not coincidentally also important regional allies.

The way America speaks about and advances democracy is finally changing. In the Obama administration, the same bureaus and offices that used to issue rhetorical demarches about democracy are now focused on how to support infant industries, establish public-private micro-credit programs through local banks, and use social networking technology to train journalists and encourage youth activism. The emphasis is now on transparency and accountability, service delivery and jobs – the language of good governance and a potentially better pathway to build democracy than just talking about it.

Iran's 2009 election reminds us that more often than not, it is internal competition, not external meddling, that gets people excited about democracy. With four contenders for president, provocative TV debates, and the subsequent mass-protests which brought hundreds of thousands into the streets to demand their votes be honestly counted, the next revolution unfolding in Iran has been a home-grown enterprise. Most Iranians want to see direct democracy, even for the position of Supreme Leader – but they want it on their terms. Obama is clearly aware of this, making it clear that he hears the voices on the streets of Iran without interfering in ways that would alienate Iran's future leaders.

The greatest gift the Obama administration can give to the region would be to encourage its key states to build common security institutions to manage their own affairs. The world's two most unstable regions – South Central Asia and the Near East – are not coincidentally the ones lacking any indigenous security mechanisms with the appropriate membership. In the Gulf region, straddled by Iran and the Sunni Arab states, the agenda is intimidating but also promising: addressing the desires of numerous countries to acquire nuclear technology, rehabilitating Iraq, nurturing a viable Palestinian state into existence, and ensuring security of the principle oil corridors and sea lanes. Both Bahrain and Qatar have expressed support for such a body, and it should be a global priority to convene its first meeting as soon as possible. If the key players in the Gulf region do not build trust directly with each other, it will become increasingly prone to Cold War-esque proxy skirmishes in the Straits of Hormuz, Gulf of Oman, or the Arabian Sea.



## The New Arabism – Or Unity by God’s Will

New and inclusive regional institutions might not only help to calm geopolitical tensions with the Middle East, but have the consequence of allowing Arab populations to focus not on external foes but internal reconciliation. This could happen in one of two ways: a new Arabism, or a new Islamism.

A new Arabism based not on anti-colonial posturing but commercial exchange and media could become the region’s face and one more historically appropriate to the Arab world. Al-Jazeera and Al-Arabiya together reach a substantial share of Arab households, and Gulf-based investments have generated a regional building boom and more flexible regional labor market, together bringing more Arabs into professional contact with each other, particularly in the archipelago of business hubs such as Cairo, Riyadh, Beirut, Amman, and Dubai. This new Arabism will be built on the young entrepreneurs working to create opportunities for the region’s “youth bulge” rather than the moribund Arab League.

Islam is also inherent in the Arab world’s cultural and imperial history. There has indeed been an Islamic awakening as measured by mosque attendance and the proliferation of Islamist media, political parties, and financial institutions. The Islamic Development Bank, headquartered in Riyadh, has annual growth of 30 percent per year in its lending. Islamist parties remain prominent from Morocco to Egypt to Jordan, and importantly, groups like the Muslim Brotherhood reveal only part of the broad social and economic influence through their overt politics, whereas the genuine foundations of their popularity lie in their efficient provision of social services to millions of under-privileged citizens. A sense of Islamic consciousness cannot be ruled out as a motivating force with the potential to stitch together the post-colonial shatterbelt into a more meaningful whole.

### Looking Ahead

The multitude of scenarios outlined above underscore the fact that the Middle East remains a region in intense geopolitical transition towards an uncertain future, not least because there are so many interested parties shaping it. At the same time, Arab states are increasingly confident in their own strategies, from deploying sovereign wealth funds to sequencing economic before political reform. Moving forward, scholars, policy makers, journalists, and other interested parties should beware to assume a common understanding or approach to this strategic region which most continue to search for.



# After the Crisis is before the Crisis: The Three Great Shifts of the Global Order and the Middle East

While the financial crisis has gorged itself first on the real economy, then on labor markets and the deep mental layers of society, financial elites in some parts of the world behave as if nothing has happened. Paul Samuelson might have been right when he said that the crisis would need till 2012 to be worked through the markets. But the structural adaptation to the new world order being finally born in this crisis will need two decades at the very minimum. Periods of crisis are, in fact, fixtures for the art of historical periodization: while the 1930ies inaugurated the era of the “New Deal” and the economic slump of the 1970s marked the ascent of a new liberalism, the double crisis of information and money that is now leaving its imprint on the first decade of this century is again opening a new geopolitical space, albeit for something we obviously do not yet understand completely. However, it will not be sufficient to rediscover the unrealized ideas advocated by Keynes, including a world reserve currency, a comparable global link between debtors and creditors, and a moral answer to the contradictions of this crisis. Nor will it be enough to accuse the financial insider class for taking inordinate risks that the society has to pay for in the end, or to complain about the missing moral backbone of capitalism, although critical theory has its point again after the rise of a newly differentiated global South. Three great shifts may determine the coming arena of change:

## **A New System of Governance in the Making**

The baton of the global mediator-in-chief which the United States had taken over from Great Britain cannot be passed today on to a new mediator-in-chief, nor can it any longer be administered by the old one. During the failed climate conference in Copenhagen, in late 2010, the new geopolitical structure became visible for a moment: A group of emerging powers from China and India to Brazil and South Africa has developed the ability to foster global mediation and decision-making, and in doing so, to construct a new Second World. This align-

ment is not directed by a common general ideology, as it was the case with the earlier Second World of the Soviet Union, but by a coalition of rather sophisticated global growth regions defending and developing their newly gained status between the First and the Third World, never again allowing the West to leave the space between First and Third World systemically empty, i.e. open for Western markets and domination. While in the Middle East the deconstruction of the old bipolar world is still ongoing, the participation in the construction of a new Second World is beginning, if hesitantly.

## **Development at Large**

Related to this first major shift is a second, the global mutual absorption of knowledge and industry creating a type of knowledge-industrial society which the First and Second World have in common, much more than in the historical case of industrial society in the 19th and 20th century. This global knowledge-based industrialization, however, can not be governed – as the course of the crisis demonstrates – by financial industries, but needs a division of power between money and authority. This division of power is necessary with regard to the crises of climate, resources, food, and demographics as one financial-systemic sector. However sophisticated, organized and regionally differentiated this sector may be, it needs a systemic authority to provide equally sophisticated and regionally differentiated governance. The global imbalances of total savings and investment together with the systemic dominance of the financial sector are the main reasons for the contemporary structural crisis, although the behavior of an insider class and the instrumental character of capitalism certainly also contributed. As a result, the impending private-public governance of globalization infrastructure – not only for global trade but for local and regional development – will be the key arena where societies define their fate. Infrastructure has already been the key term in the rise of the Western welfare society and it will be the key topic for the globalized societies of the First and the Second World and, as a consequence, for the catching-up-societies of the Third World who will still need the support of the others. The new emerging powers however will not allow the West to alone define the global infrastructure for solving the problems of climate change, resources, food scarcity, and demographic development, and will even take these problems hostage to preserve their newly earned geo-economic and geopolitical position. The West has taken development hostage for a long time. Again, the Middle East does not belong to the avant-garde of this globalized knowledge industrialization despite or maybe precisely because of its abundant fossil resources. Therefore the region is as of yet more an arena for other actors than an assemblage of actors onto themselves. But things are changing.

## Trans-National Societies

The third great shift is even more subtle than the others, but will be decisive. When contemporary globalization began in the 1980s, the neo-liberal mood of the time held that such a thing as society does not exist, that there are only individuals and their families – in Margaret Thatcher’s famous phrase – and that nations have to prepare for global competition first and foremost.

Today this sounds like an echo of an ancient time. Between the struggles, strategies, and desires of the individuals and global institutional arrangements, strong bodies of mediation and intermediary powers between local and global interaction again are seen as indispensable. Society as a whole will become an intermediary power in the world community, different from international relations as well as from the global (“thinking globally, acting locally”) interaction of “globalized” individuals, families, and groups on markets for certain populations. When migration becomes a constituting part of mobility, when network solidarities substitute and complement older local or national institutions and the ability to compare ways of life in private and public scenes becomes universal, societies once developed in the frame of the modern nation state will again explain the world to you and me. Societies performed this role and democratized the nation state in the West during the period of high industrialization, and again in the decades after the Second World War when planned development and reflexivity complemented the mechanisms of industrial markets. Today, this is true again for the competition and the interaction of the Second World and the occidental countries, as both have to adapt to a new world order. At the first glance the Middle East again seems least of all prepared for this change towards the power of societies, but between the long waves of socialist, national, and Islamic thinking one should not underestimate the potentials for self-confident societies to take their place in a globalized world. Hegel’s “List der Vernunft” (cunning of reason) is well at work.

## From Geo-Regionalism to the New Second World

After the breakdown of the bipolar world, geo-regionalism has become the dominant structural tendency. This was not evident after 1989, as for a short period of time between the break-up of the Soviet Union and the financial crisis of our days it appeared plausible that a democratic empire like the United States could accomplish and deliver the necessary public goods such as security, the mediation of competition-intensive growth loans, and the general backdrop for global modern life. The Bush administration pursued these goals with determination, but it did not invent them. Then who did? This ideology has disappeared together with a whole literature of new empire building. Contemporary geo-regionalism of course is embodied in ambivalence. Unpacified, regionalism was already more of a problem than a solution as regions from Scotland and Brittany to Catalonia and the Lombardy were originally oriented toward nation

building, but felt repelled and disappointed by the results. The geo-regional drift of our times can of course no longer be understood in terms of attraction and rejection of the national pole but instead in terms of participation in global region building. To take part in East Asian and Pacific region building, in the construction of growth areas in South Asia and Southern Latin America, compromises between populism and ideologies of the free market are the criteria for success. Regionalism differentiates but geo-regionalism offers – limited – synthesis. The idea of a new Second World does provide a horizon for geo-regional synthesis. When Parag Khanna imagined the emergence of a “Second World”, as recently as 2008, it appeared to be an arena of struggle and a reservoir for the revitalized new empires of the US, the European Union and China. Today however it appears rather as an experimental future of the emerging powers’ influence on a new global order.

The dialectic of differentiation by regionalism and relative synthesis by geo-regionalism does include the shift of political weight within the global regions. In the Middle East this process is visible in the shift to the Northern tier of the region, making Turkey, Iran, Russia, and to a certain degree Syria key actors. Turkey is emerging as a geo-regional mediator and even Russia may somehow invent herself as a geo-regional power instead of remaining stuck in a bipolar past. In the wider future one may expect even Northern Africa to gain a stronger role by becoming a major producer of solar energy on an industrial base as soon as the knowledge structures are developed. The classical Southern tier with Southern Arabia, Egypt, and the Emirates with their huge resources, their established geopolitical status, and postmodern knowledge-industrial wing may lose relative weight in this differentiation of the region because they are either institutionally exhausted or too hybrid to shape a geo-regional space. Not to even speak about the neo-conservative pipedream of shaping a solidly pro-Western Middle East around the triangle of Turkey, Israel, and a redesigned Iraq.

## **Infrastructure Regimes**

The geo-regional dynamic needs an appropriate infrastructure. The development of sophisticated transnational infrastructural regimes as opposed to a mere resource management is the formula not only for this geo-region but is already on the horizon for India, Brazil, and South Africa, not to speak of China which has already been on this way for a longer period. By infrastructural regimes I mean education, the logistics of industrial knowledge, and strong universities as hubs of economic as well as social development and organized cultural reflexivity rather than transport and communication systems. Most of all, the service for global exchange and global networking is intertwined with opportunities for local, regional, and national development. Solutions for the global environmental problems, the struggle against climate change and the transformation of global energy supplies depend on these geo-regional infrastructure regimes. Again, the control of this rise of geo-regional infrastructure regimes will not be left only

to a global financial industry, although sound financial institutions cannot be replaced by political decision-making. But geo-regional countries will not miss the historical opportunity represented by the fact that resolving global economic, environmental, and energy problems will be dependent on the provision of geo-regional infrastructure regimes. A growing amount of middle class business actors will need this globally intertwined infrastructure regime more than any other class but will have to compromise with the representatives of public infrastructure building. For Vali Nasr, the rise of a “business-minded middle class” is the driving force leaving the state bureaucracies of the old regimes behind. But infrastructure regimes need professional planning as well as political authority, which are provided in a compromise between such business-minded middle classes and professionally organized public agencies. Global financial markets are not politically wise advisers and do not have an extended sense for the necessary compromises in historical private-public arrangements. The great shift in the global order may contribute to the rise of appropriate infrastructural regimes even in regions with less experience in this sort of compromising.

## Societies Matter

If geo-regionalism for the Middle East means, at the same time, differentiation and synthesis in a new Second World, and if the business middle classes as well as professional classes in public agencies have to play their role, the whole structure of the society is involved. Geo-regional differentiation and division of power between financial and infrastructural regimes must be experienced at the level of society as well. Society is back in. Max Weber differentiated society from ubiquitous market and power struggles as well as from culturally deeper rooted communities. Advanced societies made intermediate powers such as trade unions, chambers of commerce, and civic associations key mediators of social life. For the European welfare society these intermediate powers were as essential as economic and industrial progress. Today societies must define their places as societies in the global geo-regional change, meaning ascending societies must learn to understand their contradictions and adapt themselves accordingly, while “old” societies also have to re-juvenate their capacities as societies. This does not mainly depend on the demographic composition of the population but on the political and cultural consciousness of global interdependency. Political majorities have to educate themselves with regard to these questions if majority-building and democracy shall remain the answers to the questions of modern times. The antagonism between authoritarian development regimes and stubborn but defensive liberalism will not provide the answer. There is a first historical irony in the fact that the geo-regional rising Northern tier of the Middle East may depend on the growing capacities of their civil societies, i.e. grounding the high geo-regional aspirations of their countries in real social life. Turkey, Iran, Syria, and of course Russia need stronger civil societies just to strengthen their geo-regional political role.

In the case of success this might be a decisive contribution to the creation of a new Second World. The meaning of civil society has changed along with the great historical shifts. Civil society emerged as a political-cultural topic with the resistance movements in Eastern Europe and Latin America, was elaborated in Western societies to understand the autonomous space for social activities beyond market and state, and then, in the guise of “global civil society”, became a cultural substitute for a non-existing global political and economic order, a place for media, cosmopolitan dreams and globalized educational systems. Beyond the exhausted “cultural turn”, real societies are now beginning to get back their place in the world order. There is maybe a second historical irony that the relevance of the elementary structures of society, once upon a time invented in the West, are coming back now from the societies of the Second World.

For Europe the constellation of geo-regionalism is a new chance as Europe is more an association of societies than just a confederation of states. But Europeans will only be able to take this chance if it abandons the seductive idea of becoming the third hegemonic global power – alongside the US and China – and instead invests itself in supporting the development of a new Second World as a historical necessity, as Hegel and Marx would have understood it. The differentiation of the Middle East region may, at least in a middle-ranged perspective, even provide opportunities for a true and deep enlargement of Europe beyond the ideologies of the 20th century. Beyond the crisis, there may emerge horizons yet unseen.

# Russia's Return to the Middle East

During the 1990s the Russian Federation critically downgraded its relations with Middle Eastern states due to its economic difficulties and also on account of the predominant orientation of its new political class towards the Euro-Atlantic community. However, Russia did inherit from its Soviet days the role of co-sponsor of the Arab-Israeli peace process and managed to establish diplomatic relations with new partners in the Arabian Gulf, yet the Asian direction of Russia's policy was generally put on the back burner. It was only after the post-Soviet transition period – with its associated developmental difficulties and insecurity – that Russia began to assume once again its role in the world and started to rectify the imbalance between its Western and Asian focus on foreign policy (including its special Islamic dimension), and began to make up for lost ground. Today, a strong, more self-confident Russia is becoming an important force for political change in the world and has emerged once more as an actor in international politics.

## The Putin Years

During Putin's presidency Russia developed its relations with the Middle-Eastern states, raised the level of its involvement in the regional and global politics of the region, and demonstrated its determination to follow an independent policy towards sensitive political issues such as Iraq or Iran's nuclear program. A number of important directions can be singled out from Russia's Middle-Eastern policy where considerable success has been achieved. These are:

- Cooperation with Turkey.
- Cooperation with Iran.
- The revival of relations with “the old partners” of the former Soviet Union in the Arab world.
- The fast development of relations with “the new partners” of Russia (notably the Arabian Gulf States).
- Cooperation with Israel.



## Relations with Turkey

Russian-Turkish relations are on an unprecedented rise. Turkey is one of Russia's main trade and economic partners. The volume of bilateral trade totaled US\$ 37.8 billion in 2008, and still reached US\$ 16.2 billion during the first nine months of 2009, despite a sharp decline in the prices of oil and gas, Russia's main export commodities. Turkey has been covering a considerable part of its energy needs by purchasing natural gas and oil from Russia (their share in Russian exports to Turkey accounts for slightly above 70 percent), incurring a significant deficit in bilateral trade in the process. September 2009 also saw the resolution of the so-called "customs crisis" lasting for more than a year, during which the Russian customs service performed a 100-percent examination of Turkish cargoes, causing delays and impeding the competitiveness of Turkish products.

Of prime importance is the cooperation between the two countries in the energy sphere, including the shipments and transit of Russian gas to world markets via Turkish territory. Currently, the territories of the Russian Federation and Turkey are linked by two operational gas pipelines: Trans-Balkan (Russia–Eastern Europe– nkar , exploited since 1987) and the Blue Stream laid on the bottom of the Black Sea (Nikolaev-Samsun, exploited since 2003). Russian gas ensures 65 percent of Turkey's needs for this kind of fuel; Turkey is the second-biggest consumer of Russian gas in Greater Europe after Germany.

Some problems involve Turkey's participation in the construction of the Nabucco gas pipeline bypassing Russia, and the laying by Russia of the South Stream gas pipeline bypassing Turkey. It is believed that one reason behind freezing the Blue Stream II project (a second pipeline crossing the Black Sea, with the potential to re-export gas to either South-East Europe, or southwards to Cyprus, Syria, Lebanon and Israel using a future subsea pipeline) was the fact that Russia has not so far managed to enter the Turkish gas-distributing market despite the commenced process of its liberalization. Distrusting the prospects of Nabucco, a whole series of European countries have expressed their formal readiness to take part in the South Stream project. Turkey, on the other hand, would much rather opt for Blue Stream II, as there appears to be little hope for full EU membership – and hence, equal access to South Stream – in the near future.

A visit to Turkey in August 2009 of Prime Minister Vladimir Putin resolved the doubts of the Turkish side in favor of resuming the Blue Stream II project. However, the period of doubts and uncertainty about readiness to cooperate with the Russian side in its implementation had to be repaid by Russia's consent to the laying of the South Stream gas pipeline via Turkey's territorial waters. Finally, Turkish firms remain the largest foreign building contractors in Russia. The volume of building contracts awarded to them over ten months of 2009 totaled US\$ 1.5 billion (US\$ 2.7 billion in 2008).



## Relations with Iran

Although Iran's share in Russian foreign trade turnover is small – less than 1 percent (0.5-0.6 percent in 2008, US\$ 3.7 billion), it presents a prospective interest for Russia, first and foremost as a partner in the gas sector, in military technical cooperation, as well as with regard to Russia's contribution to the further development of Iranian nuclear energy. The latter two avenues are facing an extremely negative attitude on the part of the USA and some other countries. Moreover, statements by the Iranian side on programs for developing nuclear energy (up to 20 nuclear power plants) can hardly be regarded as realistic, at least in the short term.

The situation involving the deliveries to Iran of the S-300 air defense system (under the contract signed in 2007 and due to take effect from 2008), which were frozen in October 2009, was extremely tense in the past year. As the Iranian side had partially paid for the deliveries, it is entitled to demand penal sanctions (US\$ 300-400 million). Discontent on the Iranian side over Russia's position on the IAEA report, whereby Russia sided with the majority of countries which passed a no-confidence motion against Iran, in addition to the postponement of the S-300 shipments (which was assessed in Iran as a Russian concession to Israel), has led to an anti-Russian campaign in the Iranian mass media. Yet, the holding of anti-Russian demonstrations by the opposition in November and December 2009 was explained by its leaders' conviction that Russia unconditionally supported the last election campaign of Iran's President Ahmadinejad.

Iran was probably so convinced of Russia's support at the IAEA session that on the eve of that session it focused its efforts on China, which has now top priority on the Iranian foreign policy agenda. More specifically, China was offered contracts worth almost US\$ 7 billion in the petrochemical sector. After the resolution of the IAEA Council of Managers on November 27, 2009, and on the eve of the UN Security Council session, Iran stepped up its ties with Russia in the gas sector. In early December 2009, negotiations were held with Gazprom on the construction of the so-called "Peace Pipeline" along the Iran-Pakistan-India route. These negotiations had been going on intermittently since 1995, but only in 2009 were agreements signed between the National Iranian Oil Company and Gazprom on the creation of two joint companies to develop gas deposits in Southern Pars and Kish. Gazprom also signed memoranda of intent with Iran, India and Pakistan, and it was planned to set up a consortium by early 2010, where shares of the parties would be determined, with India's participation viewed as least likely at the time. In the event of a disruption of the agreement, Iran intended to lobby for its Persian Gas Pipeline, having proposed to Turkey a three-phased development of Southern Pars. It was promoted by Iran as a real alternative to South Stream. The construction of the Peace Pipeline would decrease the likelihood of Iran's accession to Nabucco and raise the chances of South Stream to be filled by Caspian gas because there are not enough reserves in the Caspian region to fill both pipelines. The election in December 2009 of

Russia's representative Leonid Bokhanovsky as Secretary General of the Gas Exporting Countries Forum, as believed in Moscow, might promote a consolidation of Russia's positions in the world gas market.

As of the end of 2009, there remained the unsettled problem of commissioning the Bushehr nuclear power plant (among other things due to the positions of Russian banks slowing down settlements). However, Moscow still appears to be highly interested in completing the project, first and foremost to keep up its repute in the world market for nuclear facilities and construction, and also to relax tensions in the relations with Iran. In response to Iranian criticism Foreign Minister Sergey Lavrov assured Tehran that the plant would start to operate in 2010.

## **Economic Relations with the Arab World**

Russian-Arab economic and political relations, which had been at a standstill for a long time, received an impetus for development during a whole series of summit meetings held in the last few years between the Russian leaders and their counterparts in some countries of the Arab world. The fact that this process only recently gained traction at the government level may be seen as either a reason for optimism regarding the immediate future, or as a source of concern over the slow pace of mending the rupture of traditional ties.

On the whole, relations with the Arab world have been muted during recent years, and attenuated by instability and serious difficulties. In the early 21st century, the annual trade volume averaged US\$ 3.6 to 4.5 billion. This being so, export deliveries from the Russian Federation accounted for more than 90 percent of the monetary value of mutual commodity exchange, that is to say, the trade balance stood entirely in Russia's favor. It should be noted that these figures do not even amount to half of the volume of Soviet Era.

The principal trading partners among Arab countries are Egypt (22-23 percent of the value of Russian trade with Arab countries), UAE (13-14 percent), Morocco (11-12 percent), Syria (9-10 percent), and Yemen (5-6 percent), the countries that annually account for 60-70 percent of the entire value of Russian-Arab trade. The structure of Russian-Arab trade turnover is as follows: Russian exports were dominated by fuel and energy items (18-20 percent), metals (17-19 percent), timber and paper products (14 -15 percent), foodstuffs (12-14 percent), machines and equipment (8-10 percent), with Russian imports dominated by foodstuffs (55-60 percent), chemicals (13-15 percent), textile and textile goods (8-10 percent). Other forms of cooperation account for US\$ 1.2-1.5 billion annually, including US\$ 250-300 million for the installation and modernization of economic and infrastructural facilities in Arab countries, US\$ 200-250 million for investment projects, and US\$ 150-250 million for contracts for satellite launches. One also ought to mention tourism, education and scientific exchange.

A sizable share in Russian-Arab techno-economic cooperation is attributed to investment projects in the field of oil and gas and the participation of Russian

companies as general contractors in executing orders for the erection and servicing of major projects. By some estimates, the approximate annual volume of interests of Russian business in the Arab region, which also includes financial investment commitments and the cost of contracts to be performed in the years immediately ahead, can be estimated at US\$ 3-4.5 billion. In the process, Egypt and Saudi Arabia have become major markets for Russia in this domain, accounting for about 80 percent of such commitments. Especially active in this field are LUKOIL, Rosneftgazstroi, Silovie Mashini, Avtovaz, and Tyazhpromexport. The next markets in order of importance for Russia are Libya, where Technopromexport as a general contractor is implementing a project valued at US\$ 600 million, Algeria and Syria (with volumes of US\$ 350-400 million in each country), where the principal Russian contractors are Rosneft, Soyuzneftegaz, Uralmash, and Tatneft. Thus the whole real volume of Russian-Arab economic cooperation may be valued at US\$ 5.5-6.5 billion a year, which roughly adds up to 3 percent of Russia's entire foreign trade turnover, i. . it is generally comparable with the level of Russia's economic ties with India. True, these relations are highly dependent on the energy sector, and in particular on the volatile price of oil.

The volume of Russian-Arab commercial and economic cooperation might possibly have been higher, had it not been for tangible objective factors hindering the attainment of an optimal extent of partnership relations. These factors may be assigned to several categories:

The first includes those that have to do with Russia itself and are conditioned by its domestic momentum. Of special significance among them are the consequences of a severe decline in manufacturing output and a reduction in the nomenclature of industrial and investment goods, major changes in foreign economic activity and a host of other problems that have resulted in the waning of export potential in the non-oil sector.

The second is connected with the fact that in resuming contacts with the Arab world Russia has to compete with strong actors that have already occupied many niches in the Arab economic space.

The third is determined by the situation in Arab countries, which have compensated for Russia's departure from their markets through other sources and have successfully adapted themselves to new suppliers. Over this period, the old generation of Arab traders and entrepreneurs sympathizing with the 'Soviets', has been noticeably diluted by fresh market participants which are loyal to their contractors and will hardly be interested to build relations with their predecessors.

The fourth may be conditioned by difficulties involved in the processes of globalization and the accession of a group of Arab countries to the W , along with close contacts that a great number of others have established with the U via the Euro-Mediterranean partnership. The incorporation of Arab contracting parties into various exclusive zones restricts their maneuvering capacity in the sphere of trade and economic relations with other partners and may serve, in varying degrees, as an obstacle for Russia's entry into the club of product suppliers to Arab markets.

The list can be enlarged to include other factors as well. These are the insufficient level of exchange of business information between Russian and Arab entrepreneurs (despite the intensive work carried on by the Russian Arab Business Council); inattention to the problem of support for domestic producers working in the markets of Arab countries; the lack of such cooperation arrangements widely used by Western states such as “oil in exchange for technologies”, “oil in exchange for security”, “food in exchange for business contracts” and others; failure to apply mechanisms of state guarantees for export credits, and to allot “tied” credits to domestic producers, which might then be used for the purchase of machines and equipment produced in Russia for shipment to Arab countries. Furthermore, after the loss of the main southern port terminals of the USSR – Odessa and Ilyichevsk on the Black Sea – as a result of the independence of Ukraine, there is an acute lack of convenient cargo transshipment capacities to process commodity flows between the Russian Federation and the Arab region.

However, these circumstances should not be seen in absolute terms since many of them are resolvable in some way or other, while there are important factors that may facilitate Russia’s tasks in setting up cooperations in the Middle East and North Africa. The main factor is that the Arab world has become an arena of active rivalry between various corporate groups of Western capital, China and other powerful players and now acutely needs to strike a balance between these influences, thereby strengthening Arab positions by giving the Arabs additional elbow room.

In addition to what has been said, Russia so far seems to underestimate certain realities of cooperation which may in one way or other affect the possibilities and momentum of its penetration into Arab economic space. The mood of Russian and Arab participants in bilateral meetings and other formal events produces an impression that the main trends in Russian-Arab commercial, economic and investment cooperation are associated almost exclusively with large-scale transactions. These include energy, rail transport, ferrous and non-ferrous metallurgy, the transfer of technologies, the development of natural resources, the financing of modernization projects, the establishment of joint manufacturing ventures in their territories, and so forth. Essentially, it is a question of cooperation in primary industries above all. Such an approach is clearly based on the Russian ambitious business mentality and a preference for grandiose deals and the interests of the most powerful Russian companies. On the Arab side, it is shored up by the enormous capital of oil producers investing their export income in colossal infrastructure construction. Practically it turns out that cooperation is oriented chiefly to the rich countries of the Arabian Gulf.

Fundamental cooperation is not the only sphere of interaction of capital and resources of states and their leading business communities. What is more, in the context of the world financial crisis and in the reconstruction period after its ending large-scale projects can be shelved indefinitely. Meanwhile, Russia does not seem to look for more flexible forms of interaction as applied to the new environment, so as to gain not less profit, but to achieve this due to the

mass scale of cooperation, variety of its forms, and the scope of joint economic activity, which is afforded by small-scale private enterprise operating in parallel with big business. Owing to greater flexibility, it graphically demonstrates the productivity and profitability of close contacts, and at an accelerated pace. Russian business is at times rather slow in taking decisions, its reduced operational efficiency and bureaucratic hurdles are able to make initiative wither and restrict onward movement. Such a less than productive activity creates a sensation of growth without development, which negatively reflects upon the state of affairs, the promotion of which constitutes the substance of working documents approved at the highest level.

Presumably, in any case the situation for Russia in the Middle East in the field of trade and economic cooperation will not be easy. What will be required from Russia is political will and targeted, pinpoint actions in the regional markets, so as to avoid the disadvantages of a wholesale approach to the solution of problems intrinsic to our country at all times. Perhaps, only in this way will it be possible to secure Russian economic interests in the region.

## **Quest for a New Balance**

The Russian Federation's political interest in the Arab East is conditioned by the fact that it cannot remain aloof from a situation where the region is turning into a zone of intensive rivalry of a growing number of major players, now joined by vigorously active China and India. Nonetheless, the Arab region, as follows from the Conception of Russian Foreign Policy adopted in 2008, does not figure among Russia's regional priorities and ranks below the CIS, the European Union, the USA, China, India and Japan. But as part of a course towards building a multipolar world and raising the role of the UN, it is important for Russia to sustain relations with Arab countries. The most significant among them are Egypt, Algeria, Saudi Arabia, Syria, and Libya. The development of relations is favored by the fact that Russia's position and that of the greater part of Arab countries on the key questions of the political situation in the region and in the world at large on the whole coincide, including the unacceptability for both sides of a unipolar model of world arrangement. This predetermines the acceptance of Russia by the Arab world as a power which contributes to the settlement of global and regional (Middle Eastern) problems and is able to defend (as member of many influential international organizations) the interests of the Arab world.

Russia's chief current objective in the Arab East is to ensure stability and predictability in the development of the military and political situation, durable peace and security. Meanwhile, the situation in various parts of the Arab world is still unstable and contains a great conflict potential. Therefore our country, enjoying the status of permanent member of the UN Security Council and a party to the Quartet of international mediators, contributes to the collective efforts to reach an internationally recognized comprehensive and long-term settlement of the Arab-Israeli conflict in all its aspects, including the creation

of an independent Palestinian state coexisting in peace and security with Israel. Russia maintains contact with both Fatah and Hamas, and this affords it a unique opportunity compared to other international mediators. Russia's continued active involvement in the Middle Eastern peace process is dictated by the need to keep and enhance its role in the peace process. Its involvement is conditioned by the understanding that a consequence of peace will be the emergence in the Middle East of new geopolitical realities whose shaping with due consideration for Russia's interests will only be possible if Russia remains a full-fledged participant in the peace process.

As far as the other troubled part of the Arab world – Iraq – is concerned, the Russian Federation stands for the attainment of a political settlement along the road to national reconciliation and the restoration of full statehood and economy of that country. At the same time Russia's capacities to exert an impact on the situation in Iraq are limited. But it does not mean that it keeps aloof from searching for ways towards settlement, although its activity in this area proceeds mostly in the framework of the Security Council, only rarely being supplemented by bilateral contacts.

Russia is concerned over the decades-long unstable situation in Lebanon, caused by animosity between the Shia community, Lebanese Christians and Sunni Muslims. Russia's reaction to the conditions in Somalia and Sudan, where religious and ethnic conflicts have been raging for many years and where the positions of radical Islamists are strong, is similar. Russia seeks to demonstrate its presence in this part of the Arab world, but it has managed to do so chiefly at the verbal level for the time being.

Russia feels anxiety over the latest scramble for leadership in the region between Iran and the Arab states of the Arabian Gulf. It closely watches the situation involving Iran's nuclear program, the more so as the latter causes concern among that country's Arab neighbors (especially those in the Arabian Gulf), who fear Iran's growing might. Any attempt by the USA and Israel to resolve the Iranian problem by the use of force will, in Russia's opinion, cause a destabilization of the Middle Eastern region. But in the event of Iran obtaining nuclear weapons, it may set off a "chain reaction" among Arab states, a number of which (first of all Egypt and Saudi Arabia) have already stated their intention to develop nuclear programs of their own. Currently Russia does not exclude supporting new international sanctions on Iran if all diplomatic efforts fail but its leadership doesn't want these sanctions harm the ordinary people.

Thus a new knot of contradictions may emerge, but Russia's participation in its prevention, as many in Moscow believe, is complicated by unwillingness of the United States to forego their leading role in the region by letting other powers assume a share of their own in ensuring security. Although Russia pursues an independent line towards the Arab world, it cannot but take Washington's policies into account. This is natural, since diplomacy is built on consideration of the partner's position and interests and the search for mutually acceptable solutions and compromises on that basis. At present, Russia cannot weaken the



positions of the United States in the Middle East, viewing relations with Americans in that region in the context of the classic rules of the “game of nations.” They imply interaction in those areas where our interests concur, opposition where US moves run into conflict with Russian interests, and neutrality in those cases where US actions are taken on matters of no relevance for Moscow.

For their part, Arab countries regard Russia as a power able in some degree to play the role of counterbalance to the U.S. in the region and thereby impart a more balanced character to the system of international relations existing there. But they are also conscious of our relatively limited capacities, although it impresses them that the Russian Federation is, in their own assessment, one of the few states whose policies are distinguished by understanding of Middle Eastern realities.

In bilateral relations with the states of the region Russia follows a policy of political interaction with almost all Middle Eastern capitals. This makes it possible to conduct an exchange of opinions and coordinate positions, that is, to have an important instrument for prevention and resolution of conflicts. The settlement of conflicts in Arab countries and in the region in general is of particular significance for Russia. The Middle East is located close to its southern borders and an aggravation of the situation in some part of it in the context of a globalizing world may inevitably have a negative impact on Russia, if only by exacerbating the problem of international terrorism, whose wave may engulf the CIS countries and affect Russia’s Muslim population. Admittedly, most Arab countries regarded the counter-terrorist operation in the Russian South with understanding and declared that they were interested in the preservation of Russia’s territorial integrity.

A growing interest in Russia is confirmed by its accession in 2005 to the Organization of the Islamic Conference as an observer. Russia’s presence in that organization is evidence of its intension to interact with the countries of the Arab world in politics and economy, develop relations in the humanitarian realm, and carry on an effective intercivilizational and interconfessional dialogue. This is facilitated by the multiconfessional character of Russia, which on par with Arab countries acts as an inalienable part of the Islamic world. Furthermore, many citizens of Arab and Islamic countries received their education in the USSR, are fluent in the Russian language and familiar with Russian culture, who must feel Russia’s attentiveness, so as to realize the possibility of pro-Russian influence at their own level.

Although the circumstances are now such that Russia cannot get involved in the affairs of the Arab East on an equal footing with the West, the development potential of Russian-Arab bilateral relations, just as the mutual interest in contacts and consultations at state level clearly have not been lost. But the fact that Russia’s foreign policy is not buttressed by a weighty economic and military presence can make Russia’s relations with Arab countries insufficiently resilient to the impact of short-term factors.

# The Middle East in an Emerging Multi-Polar International Order: The Economic Perspective

## Introduction

As we come to the close of the first decade of the 21<sup>st</sup> century, we witness the emergence of new regional and global powers challenging the unipolar international order that has characterized post-Cold War international relations. The United States approaches the coming decade as an overstretched power entrenched in wars in Iraq and Afghanistan, saddled with its budget deficit, and in the grip of a financial crisis. The continuous economic dominance of the USA is challenged by a number of newly rising economic powers, such as China, India and Brazil, around which neighbouring states conglomerate. Industrialisation, cheap exports and services have contributed to a leading role for Asia and an enhanced role for Latin America, Eastern Europe and the Middle East in the international economic order.

The last time the world witnessed the rumblings of a multipolar economic order was at the heyday of the Non-Aligned Movement, the establishment of the Group of 77 developing nations and its success at setting up the United Nations Conference on Trade and Development (UNCTAD) in 1964. The OPEC oil embargo of 1973, at the behest of oil-exporting Arab countries, marked a forceful assertion by the Third World of its desire for structural changes in the economic system; a New International Economic Order. Today, we observe a similar debate that however is not founded on ideological terms, but rather by the entry of emerging economic powers into the privileged club of developed nations. Instead of calls for overturning the economic order, the predominant messages of today are demands of greater inclusion into the established economic order.

The rise of regional powers may in fact be accelerated by the financial crisis, as emerging markets prove to recover from the recession faster and continue to outpace the rate of economic growth of developed economies. China and the Middle East for example continue to run surpluses and amass reserves. The crisis, if anything, has reinforced the need for emerging markets to create larger cushions and diversify their assets. This has given impetus to sovereign wealth



funds to continue to grow and invest strategically.<sup>1</sup> Furthermore, attempts to resolve the crisis have opened up larger roles for emerging powers to participate in international economic cooperation, most evident in the shift from G8 to G20.

This paper seeks to explore the specific contribution of the GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) to the emergence of an international multi-polar economic order. The analysis will begin by looking at the GCC historical model of economic development, its long-term validity and challenges faced. This background understanding will be used to investigate whether increasing GCC revenues have resulted in increased regional and global influence in the international economic arena.

## Overview of the GCC Model of Economic Development

In brief, GCC countries have historically displayed a classic rentier state model of development, whereby the predominant bulk of government revenue is derived through the export of petroleum. This has led to dependence on the availability of natural resources as well as vulnerability to fluctuations in the market. Coupled with this has been the absence of revenue from domestic taxation, which resulted in a social contract that is characterised by “no fiscal connection between the government and the people”<sup>2</sup>. The state plays a mainly distributive role by providing its citizens with social welfare programs in return for compliance, and thus tends to blur private and public interest. The public sector typically becomes the largest national employer, perpetuating a bloated bureaucracy and creating a ‘rentier class’ of unproductive labour.

During the oil boom of the 1970s, the GCC countries launched ambitious programs of public spending on infrastructure and services. Declines in oil prices throughout the 1980s and 1990s led to budget deficits, and public spending could no longer be sustainably financed through oil revenues alone. GCC governments found themselves in a vicious cycle of having to reduce their deficits – and hence public spending – while rising unemployment boosted the need for public services. This brief era alerted GCC governments to the unsustainable and volatile nature of their model of economic development. Calls for diversification, enhanced productivity, stimulation of the national labour force and introduction of domestic taxation were being heard.

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- 1 The key features of Sovereign Wealth Funds (SWF) are government ownership, financial objectives (rather than e.g. traditional balance of payments purposes), and separate management from other government funds. SWFs are unusual as a government institution, in that their management is largely market-oriented, but also unusual in the financial sector because of their government ownership (Definition taken from The International Working Group on Sovereign Wealth Funds, IWG, of the IMF).
  - 2 Douglas A. Yates, “The Rentier State in Africa”, *Africa World Press*, Trenton, NJ, 1996.

The following section will briefly look at the current era of GCC economic growth, its drivers and its success at addressing the identified failures of the rentier model of development that was prevalent during the 1970s.

## The 2002 – 2008 Oil Boom and Diversification

As rentier states par excellence, the GCC economies are characterized by several common features: high-dependence on oil, a dominant public sector with significant fiscal surplus, a young and rapidly growing national labour force and high-dependence on migrant labour.<sup>3</sup> The dramatic rise in oil prices between 2002 and 2008 allowed the GCC countries to strengthen their macroeconomic indicators; real Gross Domestic Product (GDP) growth reached an average of 8 percent annually, with foreign reserves, investments and budgets also showing solid performance. Average GDP per capita grew at around 32 percent between 2002 and 2007, and according to the IMF average per capita income measured in purchasing power parity (PPP) grew to around US\$ 20, 000 in 2007.<sup>4</sup>

Although the GCC countries vary in terms of amount of natural resources, population, geographical size and intra-country disparities, the accumulation of wealth imposed a similar question to all GCC countries: can the boom in oil prices be used to address their common challenges?

In the past, the oil windfall was poorly taken advantage of, which resulted in unsustainable spending. Lavish projects that were embarked on during this period caught much attention but did little to diversify economies or create local jobs. Nonetheless lessons have been learnt. GCC governments have begun to plan their budgets with more conservative oil prices, and spending did not spiral up as much as oil prices rose. The IMF estimated that between 2002 and 2005 GCC countries spent 30 percent of their extra oil revenue, compared with 75 percent in 1970s and early 1980s.<sup>5</sup>

In the period between 2002 and 2007 GCC economies were able to attain annual growth rates of the non-oil economy sector that in fact surpassed that of the oil economy sector. The total non-oil sector share to the total share of the economy increased from 4.4 percent in 2002 to 7.8 percent in 2007.<sup>6</sup> Much of the non-oil sector represents targeted public spending and capital investment in modernizing the industrial sectors. Population growth in the GCC countries required investment in housing and utilities, while the construction of new

3 Ibrahim Saif, *The Oil Boom in the GCC Countries 2002 -2008: Old Challenges, New Dynamics*, Carnegie Middle East Centre, Beirut, 2009.

4 World Economic and Financial Surveys, *Regional Economic Outlook: Middle East and Central Asia*, International Monetary Fund, May 2009.

5 Monica Malik, *Tracking Petrodollars*, 2006, see <http://www.ameinfo.com/84982.html> (accessed 22. September 2010).

6 Ibrahim Saif, *The Oil Boom in the GCC Countries 2002 -2008: Old Challenges, New Dynamics*, Carnegie Middle East Centre, Beirut, 2009.

roads, railways, ports and airports was needed to accommodate the expanding volumes of trade.

Nonetheless, estimates of the growth-rate of the non-oil sector remain conservative. The IMF estimates that, for the GCC as a whole, the oil sector contribution to GDP shrank by 5.2 percent in 2009, and will grow by 5.5 percent in 2010. The non-oil sector by contrast will continue to expand slowly from 3.2 percent to 4.4 percent in 2010.<sup>7</sup>

Unlike the oil boom of the 1970s, much of the growth of the non-oil sector has been driven by private sector investment. The development of an entrepreneurial private sector and subsequent investments have particularly benefited from the deregulation of the finance, tourism and education sectors. Other than construction, efforts at diversification helped niche markets to emerge, particularly in finance and tourism. The Dubai International Financial Centre, the Qatar Financial Centre and the Bahrain Financial Harbour were all created in order to attract new sources of income. Investments in tourism have taken on a fantastical turn, with Dubai capturing world attention through the construction of the world's tallest tower, largest mall, indoor skiing attraction and artificial islands. Media cities, the opening of top university branches as well as museums and cultural centres all represent significant ventures towards the diversification into a service economy.

Much of these diversification efforts have been duplicated. With each of the GCC countries now offering similar services, they however have come to risk oversupply. Vulnerabilities to external shocks have increased due to the service nature of the non-oil economy sector. This is being witnessed today as real estate prices plummet and tourism and retail decline, while demand from within the region is not sufficient to keep projects buoyant. The most notable casualty has been Dubai and its overheated real estate sector. The defaulting of Dubai World on its debts and the subsequent US\$ 10 billion bail-out by Abu Dhabi, have shed light on the excesses of GCC real estate developments. Nonetheless, construction over the last few years has contributed to provide the GCC with the most advanced infrastructure in the region. This secures its role as the gateway to the region and lays the groundwork for continued, if slower-paced, growth.

In sum, the oil windfall of the years between 2002 and 2008 has provided favourable conditions for growth in the GCC countries. However, long-term policies to restructure economies, reduce dependence on oil, and upgrade the GCC industrial base have not been decided upon yet, but are necessary to address existing challenges.

All the same, GCC economies are beginning to exhibit maturity in the form of their sovereign wealth funds, which have grown into relevant players in global financial markets and strategic investment choices are being made to develop and diversify national assets.

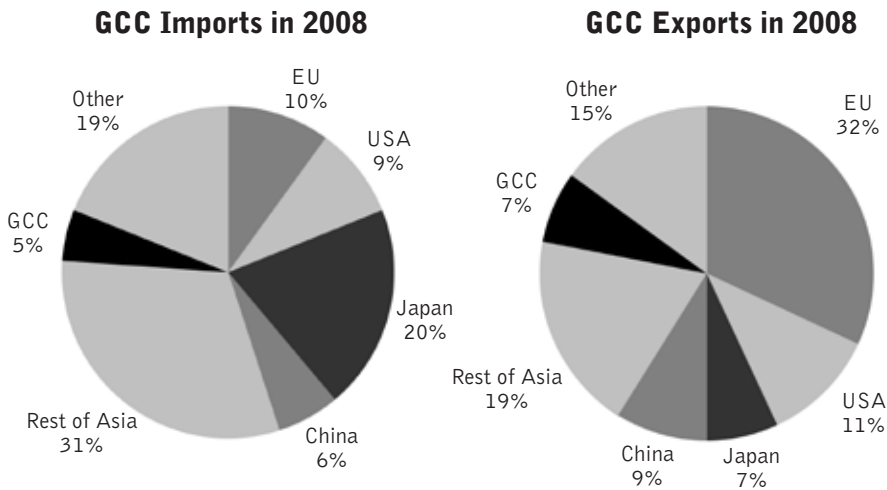
7 Richard Thompson, "Yearbook 2010: Growth Prospects for the Year Ahead", *Middle East Economic Digest (MEED)*.

The next sections will look at trade flows, GCC investments in emerging and developed markets as well as efforts at international economic cooperation and policy coordination through the G20, OPEC and other international forums. We will explore recent developments in these areas so as to present the degree of GCC integration into the world economy and in order to assess whether and how the dividends of the oil windfall have contributed to a larger role for the GCC in a multipolar world economic order.

## From Economic Boom to Regional Influence?

### Trade Flows

GCC trade in goods more than doubled between 2003 and 2008, with oil accounting for 70 percent of total GCC exports.<sup>8</sup> GCC imports mainly include machinery, mechanical appliances, electrical machinery, vehicles and equipment. As GCC trade patterns show, Asia is the predominant destination of GCC exports, while the EU accounts for one third of GCC imports.<sup>9</sup>



With the aim to transform the GCC region into a trading hub, investments in physical infrastructure have been made. Coupled with this effort came accession into the WTO, and steps followed towards facilitating trade by reducing import and export costs. A number of free trade agreements are being currently negotiated with the EU, Japan, China, New Zealand, Australia and India as well as the US – Middle East Free Trade Agreement (US – MEFTA) that all are designed to contribute to greater GCC integration into global markets.

8 Michael Sturm, Jan Strasky, Petra Adolf and Dominik Peschel, “The Gulf Cooperation Council Countries: Economic Structures, Recent Developments and Role in the Global Economy”, *European Central Bank, Occasional Paper Series*, July 2008.

9 Ibid.

Most significant are the increasing trade flows with China. Over the past two decades, China and Saudi Arabia have signed a series of trade deals covering economic cooperation, trade and tax. In 2007, Saudi Arabia turned into China's largest source of oil imports.<sup>10</sup> Relations continue to prosper between the GCC and Asia at relative ease, mainly because of the mutual interest in placing trade above all other considerations. It is precisely the emergence of such relations that is beginning to cause shifts in the economic order; emerging powers are beginning to increase trade among each other, which in turn enhances interdependence and forges mutual interests that may develop at the expense of traditional powers.

While intra-regional trade between GCC countries remains limited at 6 percent (mainly due to the dominance of hydrocarbons in GCC external trade), non-oil trade between GCC countries is expected to increase as the diversification of GCC economies increases. In 2008, the GCC common market was launched which allowed for the free movement of capital and labour among GCC nationals. The establishment of the common market not only seeks to augment intra-regional investment and trade, but is also perceived as a crucial step towards strengthening integration and increasing GCC economic and political bargaining power. Bargaining as an economic bloc will allow the GCC countries to gain more leverage with other trade partners, bilaterally or multilaterally. Plans for a monetary union in 2010 have also been in discussion over the last two years. GCC countries seem to acknowledge the added value of deeper economic ties amongst each other, and that it should be promoted, despite their sometimes differing stances over political issues, such as the Iranian nuclear program.

### Investments, Sovereign Wealth Funds and Rising to a Global Role

In 2007, the immensity of GCC assets was brought into the limelight by a Morgan Stanley report that estimated that the total size of sovereign wealth funds (SWFs) could grow from US\$ 3 trillion to US\$ 12 trillion by 2015.<sup>11</sup> Fuelled by an influx of capital as a result of the oil boom, GCC SWFs were able to explore new investment opportunities and to spread their risk across asset classes, geographical areas and industries. The general mandate of SWFs is to achieve long-term returns on surplus oil-revenues and to diversify government sources of income. To do so, GCC SWFs have invested in a number of assets: the Kuwait Investment Authority holds a 7.1 percent stake in Daimler AG, the Abu Dhabi Investment Authority acquired a 4.9 percent stake in Citigroup, the smaller Mubabadala announced in 2008 that it seeks to become one of General Electric's top ten shareholders, Dubai's Istithmar World owns a 2.7 percent stake in Standard Chartered, while the Qatar Investment Authority acquired a 2 percent stake in Credit Suisse, raised

<sup>10</sup> *Middle East Economic Digest* (MEED), December 2009.

<sup>11</sup> Steven Jen, *How Big Could Sovereign Wealth Funds Be by 2015?*, Morgan Stanley Research, 3 May 2007.

its stake in J Sainsbury to 26 percent and became the largest shareholder of Barclay's.<sup>12</sup>

Traditionally, GCC reserves were invested in low-risk, low-return US treasury bonds. SWFs by contrast aim to invest more actively in large companies in developed economies so as to diversify assets and increase economic security. More interesting however, from an international relations point of view, are recent SWFs encroachments into emerging markets. The Dubai International Capital has shown interest in investing heavily in India and China. China Dubai Capital, a private equity firm, was launched to target opportunities in China. The Qatar Investment Authority has also set up joint ventures in emerging markets, and has started to invest in African transportation, communication and energy sectors. It has also established a fund with Vietnam's State Capital Investment Corporation in order to invest in oil, port, infrastructure and real estate projects.

If the aim is to rise as truly global economic powers, GCC SWFs however need to continue to expand into emerging markets in Latin America, Asia and Africa. Given the recent recession in the developed world and the quicker recovery of emerging markets, it seems probable that SWF investment will continue to grow in emerging markets. This would allow SWFs to attain their goal of diversifying assets and moving away from US dollar assets.

## Regional Investments in MENA

Significant portions of GCC oil revenues are recycled into neighbouring Arab countries, either via Foreign Direct Investment (FDI) flows or through remittances. Remittances have contributed to strong growth in the region, especially in the non-oil economies such as Jordan, Egypt and Lebanon. GCC countries have proved to be attractive destinations for skilled migrant labour from these countries. According to the Institute of International Finance<sup>13</sup>, total outward remittances from the GCC region grew by 18 percent in the years between 2005 and 2008, amounting to US\$ 160 billion.

The intensifying pace of liberalisation, privatisation and project implementation in non-oil MENA countries has contributed to attracting GCC FDI. Indeed, GCC investment into MENA countries has been a key driver of growth in recent years, specifically in Jordan, Lebanon and Egypt, as well as Morocco and Tunisia, albeit to a lesser extent.

## Development Assistance

A striking sign of rising GCC economic influence has been the establishment of foreign aid donor agencies by GCC countries. For the past fifty years, GCC donors

12 Sven Behrendt, *When Money Talks: Arab Sovereign Wealth Funds in the Global Public Policy Discourse*, Carnegie Middle East Centre, Beirut, 2008.

13 Garbis Iradian, *GCC Regional Overview*, Institute of International Finance, 28 September 2009.

have engaged in overseas development aid and have dispersed large sums of money, but only very little information on these aid flows is available.

Estimates suggest that Saudi aid has averaged 4 percent of its GDP over the past three decades while UAE aid has amounted to 3 percent of its GDP (Hamid, 2009). The largest funds are the Kuwait Fund for Arab Economic Development, the Abu Dhabi Fund for Development and the Saudi Fund for Development. Regional funds include the Islamic Development Bank and the Arab Fund for Economic Development. Recipient countries include Yemen (US\$ 430 million), Guinea (US\$ 270 million), Sudan (US\$ 200 million), Eritrea (US\$ 30 million), and Republic of Congo (US\$ 10 million).<sup>14</sup>

Humanitarian aid has also been granted to countries such as Pakistan, Iraq, Sudan and other fragile neighbouring states. Most recently in 2005, the Qatar Foundation has also established the 'Reach Out to Asia' organisation that works to provide educational services for poor communities in low-income Asian countries.

While little is known regarding the scope and mandate of much of GCC aid dispersed, it is safe to assume that as governmental aid, a large portion of it is tied with security concerns and efforts at fostering stability in the neighbouring regions, and hence serves the national interests of GCC countries.

### **Forging a Role in a Multi-Polar Economic International Order**

Reflecting the changing economic landscape, economic institutions have begun to expand membership and to allow for the entry of emerging economic powers. This was most significant in the shift from G8 to G20. Saudi Arabia represents the only GCC and OPEC country in the G20 and as such holds a position of considerable influence among the group.

In the aftermath of the global economic crisis, several Western politicians have called for a more active role of the GCC to inject liquidity in the international markets. British Prime Minister Gordon Brown, during a visit to the several GCC countries in the summer of 2009, went on publicly to demand their assistance. In a calculated response, the GCC countries announced that they are ready to cooperate in order to buffer the effects of the crisis by declaring their willingness to stabilize the oil market, but not Wall Street transactions.

As mentioned above, the foreign trade trends within the GCC show quite clearly that they are diversifying their trade partners, shifting from Europe and the USA to China and other Asian markets. In December 2009 for example, in a surprising move, the UAE finally took the decision to reject bids by French and US construction firms and to award its nuclear power project contract to South Korea instead (represented by Korea Electric Power Corporation and Hyundai

<sup>14</sup> Habiba Hamid, *Overseas Development Assistance from the UAE: Structuring Donor Relations in the Context of the Arab League's Fragile States*, Dubai School of Government, August 2009.



Engineering and Construction). Speculation abounded regarding the UAE decision and its political implications. However, official statements stressed that the decision was finally based on technical rather than political considerations as well as on the pledge that the Korean firm would provide training to Emirati counterparts engaged in the project. Nonetheless the decision was bold, and cemented a future for long-term political as well as technical relations between Abu Dhabi and the East.

Moreover, the nature of some investments abroad, such as acquiring farmland in Africa and Asia reflects the desire to diversify the GCC economies and to increase their level of food security. The GCC came to acknowledge that water scarcity poses a serious challenge, and that water desalination projects alone, which are also highly energy consuming, do not provide for sustainable solutions in the long run.

Furthermore, and unlike previous experiences in managing oil windfalls, the GCC countries are recently displaying a growing interest in deepening their economic ties with other Arab countries. In consequence, measures to promote infrastructure projects have been adopted, and potential joint ventures with Arab counterpart in countries such Egypt and Jordan are under discussion.

In that regard The Arab Economic Summit held in Kuwait in January 2009, represented a fresh attempt at fostering regional integration and economic cooperation. The goal of the summit was to highlight the importance of economic cooperation among Arab countries. It can also be construed as an effort by GCC nations, led by cofounder Kuwait, to secure an enduring socio-economic future for the region. The deepening of relations and a seriousness of efforts was also witnessed by the preceding meeting of the Arab Private Sector and Civil Life Forum, wherein representatives of the private sector and civil society identified their priority areas to be discussed at the summit.

This attempt differs from previous endeavours as it targeted specific projects in infrastructure, transportation, energy and water. Given the fact that the GCC will most likely be the main funder of these projects, as financier it will hold more leverage in deciding the rules of the game pertaining the utilization of the new infrastructure, as well as in dealing with potential investors from outside the region. A highlight of the summit was the establishment for the promotion of SMEs in the region. Moreover, the establishment of transportation, telecommunications and services infrastructure could contribute to lessen dependency on the rest of the world to provide such services.

## **Conclusions**

In conclusion, GCC countries have been able to attain a considerable degree of economic development since the 1970s oil windfall. Standards of living continue to rise, despite reliance on volatile oil revenues and high population growth. Furthermore, investments in the education sector in the form of scholarships for GCC nationals, the construction of new universities and the opening of branches



of the world's most prestigious universities, are creating more spaces for the emergence of an educated middle class and labour force.

Challenges regarding labour markets and unemployment persist, but at the same time diversification into new sectors opens up doors for national employment and more stability of national assets. Investment in human capital and institutional reform must also accompany the sustenance of the growth of the non-oil sector.

Sustained economic growth is also central to the region's economic sustainability. GCC countries have developed into a more influential regional role by assisting neighbouring Arab countries through financial support, maintaining liberal exchange and trade systems, and most importantly through fostering employment opportunities for the region's skilled labour.

International investments via sovereign wealth funds and private sector investments in the domestic economy are forming a backbone for diversification and increased economic security. The increasing GCC stakes in international companies, as well as expanding trade flows have transformed the GCC countries into economic actors on the international level, as is affirmed by the region's entry into key international economic debates and forums. These developments have allowed the GCC region to transform its bargaining power from that of an energy supplier capable of withholding supplies, to a proactive stakeholder with strategic interests both in the West and in emerging economies.

Further strategic moves to enhance Arab economic cooperation through a series of initiatives, could eventually strengthen the GCC role and improve their bargaining power with other regional blocks in the areas of international trade and investment, as well as in the geopolitical concerns that continue to occupy the region as a whole.

# Sovereign Wealth Funds from Emerging Economies: Drivers of Systemic Change

## Introduction

The emergence of sovereign wealth funds (SWFs), sovereign-owned asset pools which are neither traditional public-pension funds nor reserve assets supporting national currencies<sup>1</sup>, on the international stage has been the cause of profound confusion amongst policy makers, financial markets participants and the public at large. This confusion was largely driven by uncertainties about how SWFs would contribute to recalibrating the relationship between capital importers of the developed world with the capital exporters of the developing world, as well as the broader geopolitical implications of this process. The consequence was outright political opposition from influential segments of the European and the US American *body politic* against unconstrained access of “nouveaux riches” government agencies and their sovereign principals to valuable assets within European and U.S. American jurisdictions.

By 2007, just before the global financial crisis, the SWFs’ asset value had grown to around US\$ 3 trillion.<sup>2</sup> Although still substantially smaller than other prominent investor classes, such as pension funds, insurance or investment companies, SWFs were considered big enough to constitute a significant force in global financial markets. Analysts projected the size of the SWFs to reach up to US\$ 12 trillion by 2015.<sup>3</sup>

The windfall revenue that the Gulf Arab oil exporters benefitted from when the oil price reached just below US\$ 150 per barrel in the summer of 2008, combined with their relatively cautious fiscal expansionary policies, moved them temporarily into the position of the world’s most important exporters of capital.<sup>4</sup>

- 1 Andrew Rozanov, “Who Holds the Wealth of Nations”, *Central Banking Journal*, Vol. 15, no. 4, 2005.
- 2 Stephen Jen, Currencies: *How Big Could Sovereign Wealth Funds Be in 2015?* New York: Morgan Stanley Research, 2007.
- 3 Ibid.
- 4 Institute of International Finance, Summary Appraisal, Gulf Cooperation Council Countries, 6 November 2008.

By 2006, all countries of the Arab Gulf region controlled one or more SWFs which by the end of 2007 collectively managed well above US\$ 1 trillion, constituting nearly half of the world's SWFs' asset value.

The global financial crisis put a damper on sovereign wealth accumulation in the Arab world and elsewhere; long-term growth projections for SWFs were revised substantially downwards. Analysts projected SWFs asset value to reach US\$ 5 trillion by 2010<sup>5</sup>, between US\$ 5 trillion and US\$ 8.5 trillion by 2012<sup>6</sup>, and around US\$ 10 trillion by 2015<sup>7</sup> – much less than had been anticipated before the crisis. However, the global economic recovery which began by the end of 2009, and the rising equity and commodity prices allowed SWFs to recover from some of their previous losses, bolstering SWFs' increasingly important position in global affairs.

Who then are these SWFs, and what can be said about their relevance to global economic, and even more so, geopolitical affairs? The following contribution provides a brief overview of global and Gulf Arab SWFs, the political debates that have accompanied their rise in the past years, as well as their responses. It concludes with some thoughts on how SWFs might further migrate from the periphery to the center of global affairs.

## A Brief Primer on SWFs

There are different ways to cluster SWFs. The IMF, for example, has suggested distinguishing between stabilization, savings, reserve investment corporation funds, and development and pension reserve funds.<sup>8</sup> One could also classify them according to their investment style, with long-term oriented portfolio investors on the one end, and strategic investors on the other end of the spectrum.<sup>9</sup> For the purpose of this contribution, which seeks to explore the geopolitical relevance of SWFs, it is probably useful to cluster SWFs according to the economic development stage of their home countries and the geopolitical roles that these countries play. Five groups can be identified:

First, there is the group of SWFs in developed economies with low geopolitical ambitions. These SWFs are mainly set up to support their governments in coping with demographic challenges to which their national pension schemes are exposed, and in preparing their budgets for future liabilities. This group includes New Zealand's *Superannuation Fund*, Ireland's *National Pensions Reserve Fund*,

- 5 Steffen Kern, *SWFs and Foreign Investment Policies: An Update*. Frankfurt/Main: Deutsche Bank Research, 2008.
- 6 Merrill Lynch, *Sovereign Wealth Funds: One Year On*. London: Merrill Lynch Global Economics, 2008.
- 7 Stephen Jen and Spyros Andreopolous, *SWFs: Growth Tempered, US-\$10 Trillion by 2015*. New York: Morgan Stanley Views, 2008.
- 8 International Monetary Fund, *Sovereign Wealth Funds: A Work Agenda*. Washington DC: IMF, 2008.
- 9 McKinsey Global Institute, *The New Power Brokers: How Oil, Asia, Hedge Funds, and Private Equity are Faring in the Financial Crisis*, San Francisco: McKinsey Global Institute, 2009.

and Australia's *Future Fund*. Other funds such as the Canadian *Alberta Heritage Savings Trust Fund* (Heritage Fund) or the *Alaska Permanent Fund* are created to save a portion of the country's nonrenewable resource revenue for the (undefined) benefit of future generations. Norway's *Government Pension Fund – Global*, the biggest fund in this category, with a market value of slightly over US\$ 400 billion at the end of 2008, is a tool that serves the purpose of financing future pension expenditures and underpinning the long-term economic considerations in the use of Norway's petroleum revenues.

The second group includes SWFs from middle-income countries with low geopolitical ambitions, such as Singapore's *Government Investment Corporation* (GIC), a government-owned asset management firm, and *Temasek*, Singapore's national holding company; Chile's *Economic and Social Stabilization Fund* and *Pension Reserve Fund*, set up for macroeconomic stabilization and pension liability coverage purposes; and, perhaps somewhat more relevant from a geopolitical perspective, South Korea's *Korean Investment Corporation*, mandated to maintain the purchasing power of South Korea's sovereign wealth but also to contribute to the development of its local financial industry.

Thirdly, there is the group of funds owned by governments that have distinct geopolitical ambitions such as China and Russia. The *China Investment Corporation* (CIC), capitalized with roughly US\$ 200 billion, is mandated to diversify China's foreign exchange holdings and to increase China's risk-adjusted returns in the context of its macro-economic requirements mandate. Russia's *Reserve Fund* (RF) performs largely the role of a stabilization fund to outbalance the volatilities on the global commodities markets, while Russia's *National Wealth Fund* (NWF) is set up to support Russian pension systems.

A fourth group includes funds from smaller countries, many of them based on incomes from natural resources, such as Botswana, Timor-Leste, Equatorial Guinea, Trinidad and Tobago, and Azerbaijan.

## Arab Funds

The most important group of SWFs, those from the Arab Gulf region, deserve some deeper reflection and a more detailed description of its evolution.<sup>10</sup> The *Saudi Arabian Monetary Agency* (SAMA) was established already in 1952 as the Kingdom's monetary agency.<sup>11</sup> Although not a formally dedicated SWE, SAMA has been managing the Kingdom's foreign financial assets since then. As early as 1953, eight years before Kuwait's independence in 1961, the Kuwait Investment Board was established in London. Its mandate was taken over by the *Kuwait*

10 For an earlier review, see Sven Behrendt, *When Money Talks: Arab Sovereign Wealth Funds in the Global Public Policy Discourse*. Washington DC: Carnegie Endowment for International Peace, 2008.

11 Rodney Wilson, *The Development of Islamic Finance in the GCC*. London: Kuwait Programme on Development, Governance and Globalization in the Gulf States, 2009.

*Investment Authority* (KIA) in 1982.<sup>12</sup> These two entities were joined by two Abu Dhabi-based entities, the *Abu Dhabi Investment Authority* (ADIA) in 1976, a long-term oriented portfolio investor, and the *International Petroleum Investment Company* (IPIC) in 1984, a strategic investor mandated to engage in hydrocarbons and related sectors outside the emirate of Abu Dhabi.

Towards the middle of the past decade, the assets of the existing SWFs swelled, and new ones were established. In Abu Dhabi, ADIA and IPIC were joined in 2002 by the *Mubadala Development Corporation* (Mubadala) with a mandate to diversify Abu Dhabi's national economy into non-hydrocarbons related sectors. The *Qatar Investment Authority* (QIA) was created in 2005 to help the Qatari government diversify its holdings. The Bahraini *Mumtalakat Holding Company* was established by Royal Decree in June 2006 as the investment arm of the Kingdom of Bahrain. Dubai too became more active in managing its external wealth through dedicated investment vehicles, run mostly by Dubai World.

Although Gulf Arab SWFs played an ever increasing role in global financial markets, they were hesitant to provide the public with accurate statements on the value of their assets or precise holdings. Trying to fill this void, a growing number of institutions offered estimates, based on increasingly sophisticated financial models (see Table 1).

**Table 1: Estimated Values of Selected Arab Gulf SWFs and Central Banks, in US\$ (billion)**

	Truman April 2008	Setser/Ziemba January 2009	McKinsey GI May 2009	Institute of Int. Finance November 2009 <sup>11</sup>
<b>ADIA</b>	500 to 875	328*	470-740	395
<b>KIA</b>	213	228	240	295
<b>QIA</b>	60	58	50	70
<b>SAMA</b>	330	501	390	447**

\* including the Abu Dhabi Investment Council

\*\* official reserves of Saudi Arabia, mostly held by SAMA

By the end of 2008, the world was confronted with a grim economic outlook with two very serious consequences for Gulf Arab SWFs. First, the deteriorating financial markets had a direct negative effect on Gulf Arab SWFs' asset value. Second, in anticipation of a severe drop in global demand, the price of oil – the single most important source of revenue for the Gulf Arab economies and funding for their SWFs – dropped from just below US\$ 150 per barrel in the summer of 2008 to less than US\$ 40 at the beginning of 2009.

12 Bader al Sa'ad, "Overview on the Kuwait Investment Authority and Issues Related to Sovereign Wealth Funds", *Key Note Speech at the First Luxembourg Foreign Trade Conference*, Luxembourg, 9 April 2008.

13 Institute for International Finance, *GCC Regional Overview*. Washington DC: Institute for International Finance, 2009.

Analysts estimated that the world's SWFs might have faced a decline of asset value in the order of US\$ 500 billion to US\$ 700 billion in 2008, bringing the SWFs down from US\$ 3 trillion to around US\$ 2.3 trillion and US\$ 2.5 trillion within twelve months.<sup>14</sup> The value of Gulf Arab SWFs' assets fell from about US\$ 1.3 trillion in 2007 to US\$ 1.2 trillion in late 2008, bottoming out at US\$ 1.1 trillion in early summer 2009.<sup>15</sup> It was only because of the substantial transfers from oil incomes in 2008 that further dropping in the asset value of Gulf Arab SWFs was prevented.

## SWF as Political Agents

This roller coaster ride for Gulf Arab SWFs' financial performance provides the backdrop for the political exposure they faced from summer 2007 onwards. The ever increasing footprint of SWFs from the Arab Gulf region and other emerging economies provoked commentators to argue that their insufficient governance arrangements and lack of transparency<sup>16</sup>, along with the power they allowed their owners to project in international politics<sup>17</sup>, would unsettle capitalist logic.<sup>18</sup> Other arguments implied that SWFs could potentially compromise the national security interests of a host country.<sup>19</sup> Financial dependence on external financiers would also compromise host countries' abilities to pursue autonomous economic and foreign policies<sup>20</sup>. SWFs might also be in the position to harm the economic competitiveness of host countries through knowledge and technology transfer, and in a discernable way affect the identity of their industrial structures and economic fabric, with serious ramifications for the effectiveness of governance arrangements. And finally, on the international level, representing a new form of "state capitalism", they could compromise the efficient functioning of global capital markets, in particular during a period of high systemic stress.

These concerns soon translated into more formal policy arrangements that sought to protect Western economies from SWFs' interventions.

Germany revised its foreign trade law, enabling government authorities to scrutinize non-European foreign investments with more than a 25% shareholding in any given acquisition target on the grounds of its consequences for security and public order. France established the *Fonds Stratégique d'Investissement* (FSI) in late 2008 with a mandate to hold minority stakes in promising French compa-

14 Stephen Jen and Spyros Andreopolous, *SWFs: Growth Tempered, US-\$10 Trillion by 2015*.

15 Brad Setser and Rachel Ziemba, *GCC Sovereign Funds: Reversal of Fortune*. New York: Council on Foreign Relations, 2009.

16 Edwin Truman, *A Blueprint for Sovereign Wealth Fund Best Practices*. Washington DC: Peterson Institute for International Economics, Policy Brief, 2008.

17 Robert M. Kimmitt, "Public Footprints in Private Markets: Sovereign Wealth Funds and the Global Economy." *Foreign Affairs*, January/February 2008.

18 Lawrence Summers, "Funds That Shake Capitalist Logic", *Financial Times*, 29 July 2007.

19 Henry A. Kissinger and Martin Feldstein, "The Rising Danger of High Oil Prices", *International Herald Tribune*, 15 September 2008.

20 Fred Bergsten, "The Dollar and the Deficit". *Foreign Affairs*, Vol. 55, No. 5, 2009.

nies and industrial projects deemed to make a contribution to France's competitiveness. The reformed Committee on Foreign Investments in the United States (CFIUS)-process, amended by the Foreign Investment and National Security Act (FISIA) in 2007, allows regulators to screen foreign acquisitions on the basis of national security concerns. The OECD members adopted the OECD guidelines on recipient country policies towards SWFs in October 2008, allowing governments to protect essential security interests if harmed by foreign investments.<sup>21</sup> Alerted by the intense public debate about SWFs, the International Monetary and Financial Committee (IMFC) expressed in October 2007 the need for further analysis of key issues for investors and recipients of SWF flows. Subsequently, the IMF presented a work agenda in March 2008 for developing a set of best practices to be adopted by SWFs on a voluntary basis.

## SWF Response

All in all, Western politics with notable exceptions responded with disapproval to Gulf Arab SWFs' real and anticipated expansionary and risk-taking investments. This reaction caused considerable confusion in the Arab world, which oscillated between irritation and a new sense of assertiveness: irritation, because much of the criticism against SWFs was targeted at their governance, transparency and accountability, which their *sovereign* owners deemed to reside outside the reach of any external party; assertiveness because the global financial crisis appeared to illustrate the weaknesses of the liberal capitalist system and the need to rethink national governments' level of engagement in financial markets, including, but not limited to, SWFs.

The response was also informed by frustration over the stubbornness and at times paternalistic prescriptions of the global political establishment which assumed custodianship of the global financial exchange's rule book; but also confidence that this rule book would have to be rewritten in the future to commensurate with the increasing influence of emerging economies in global financial markets. In the end, "the newcomers [...] had little or no role in shaping practices, norms, and conventions governing the system of international finance. Consequently, the leaders and citizens of many of those countries [felt they had] little stake in the health and stability of the international financial system."<sup>22</sup>

Subsequently, the concerns of Arab policy makers and those from other emerging economies were directed into an initiative, under pressure from the US Congress and through the IMF, which resulted in the 'Generally Accepted Principles and Practices' (GAAP) – a voluntary code of principles for SWFs. Drafted by

21 OECD, *OECD Declaration on SWFs and Recipient Country Policies*. Washington DC: OECD, 2008.

22 Edwin M. Truman, "Sovereign Wealth Funds: New Challenges from a Changing Landscape", *Testimony before the Subcommittee on Domestic and International Monetary Policy, Trade and Technology, Financial Services Committee, U.S. House of Representatives*, p. 6., 10 September 2008.



an International Working Group of Sovereign Wealth Funds (IWG) in summer 2008, the GAAP became also known as the ‘Santiago Principles’ (the venue of the final drafting session), and was published in October 2008 during an IMFC meeting in Washington.<sup>23</sup>

Technically, the Santiago Principles’ provisions cover SWFs’ mandates, objectives, and coordination with macroeconomic policies; their institutional framework and governance structures; and the investment and risk management framework that they should put in place. The self-declared objective of the Principles is to help maintain a stable financial system and free flow of capital and investment; ensure that investments are pursued on the basis of economic and financial risk and return-related considerations; and contribute to the overall transparency of SWFs.

The political function of the Santiago Principles goes beyond these technicalities. The Principles not only serve to constrain the behavior of SWFs, ensuring that financial and broader economic considerations drive their investment objectives. The Principles also contribute to shaping the collective identity of SWFs. The work on the principles subsequently incubated the *International Forum of Sovereign Wealth Funds*, serving as a platform to discuss the compliance with the Principles and to exchange perspectives on macroeconomic issues relevant to SWFs. But the Forum also serves as a coordination mechanism which has empowered the collective of SWFs to request that investment regimes of host economies become more transparent and prevent discriminating practices against SWFs.

## Domestic Stakeholders

While SWF managers sought to more strategically respond to predominantly Western critics, the global financial crisis began to drag down not only the value of SWFs’ assets, but also weighed on financial markets in the Arab Gulf region. Consequently, the Arab public began questioning the wisdom of SWF managers’ outward-oriented investment strategies.<sup>24</sup> At a time when the discussion in Europe and the US about the potentially harmful role of SWFs had died down, the Arab public developed a keen interest in SWF managers’ performance and the rationale of their investment strategies.

Observers remarked that “if these SWFs represent the stored wealth of the citizens of these [Gulf Arab] countries, it would seem appropriate to allow these citizens to have more information about how these funds are managed and

23 International Working Group of Sovereign Wealth Funds, *Sovereign Wealth Funds: Generally Accepted Principles and Practices*, “Santiago Principles”, Washington D.C., October 2008.

24 See also Sven Behrendt and Bassma Kodmani (eds.), *Managing Arab Sovereign Wealth in Turbulent Times – and Beyond*. Washington DC: Carnegie Endowment for International Peace, 2009.



invested, and perhaps have a greater say in these issues”.<sup>25</sup> Others placed the debate in the regional political reform context, arguing that citizens should have the right to know and scrutinize SWFs’ investment decisions.<sup>26</sup> Some commentators also stressed the need to strengthen the real Arab Gulf economy and channel excess liquidity to stimulate domestic investment programs, with the additional objective to foster regional integration in mind.<sup>27</sup>

## Towards the Future

The structural transformation of the global financial market, not only with regards to its balance of power, but also with regards to its constitutive members, as well as the transformation of the geopolitical system at large that sees international finance on the rise, has put SWFs in the spotlight. International and domestic political actors integrated them into their political calculations. And despite the volatility of financial markets, a consensus appeared to have emerged that SWFs have become permanently relevant actors in global financial affairs. As of end 2009, a number of “loose ends” needed to be tied together in order for SWFs to participate as legitimate and widely accepted players in global financial markets and global affairs at large.

### a. The Identity of SWFs in Evolving Global Financial Markets

The emergence of SWFs has been a confusing phenomenon, adding to the already increased levels of fragmentation and complexity of the 21<sup>st</sup> century global system. The term “sovereign wealth fund” suggests that the operating logic of these entities is torn between the political, – and geopolitical as one might argue – ambitions of its sovereign owner, and the sovereign’s pecuniary interests, as the term “wealth” suggests. SWFs thus have presented themselves as “hybrid” organizations, playing their role both in international political and financial affairs, confusing their fiduciary responsibility. This has caused the boundaries between global financial and political systems to blur and accordingly has inspired a substantial conceptual debate about how to classify this new investor class. Owing their existence to a public choice based on political calculus, it would have been surprising had the international financial and broader political community not reacted in the way it did between 2007 and 2009.

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25 Rami Khouri, “Whose Sovereignty? Whose Wealth?” In: Sven Behrendt and Bassma Kodmani, (eds.), *Managing Arab Sovereign Wealth in Turbulent Times – and Beyond*.

26 Bassma Kodmani, “Conclusions: Putting Arab Money on the Reform Agenda”. In: Sven Behrendt and Bassma Kodmani, (eds.). *Managing Arab Sovereign Wealth in Turbulent Times – and Beyond*.

27 Hazem El-Bebhwai, “Arab Wealth: Financial Versus Real Assets”. In: Sven Behrendt and Bassma Kodmani (eds.). *Managing Arab Sovereign Wealth in Turbulent Times – and Beyond*.

Markets are defined as much by their participants as by their mechanisms. As governments around the world have been struggling to cope with the global financial crisis, they have turned themselves into active participants. In this way the financial crisis provided another impetus to the rise of “state capitalism” in which states and their agencies interact with market participants based on a commercial logic. Largely assumed to be bolstered by the expansion of public sector dominated *emerging economies*, governments of *developed economies* have in fact compromised – for their legitimate reasons, one might argue – liberal market-based assumptions. The dynamic shifting balance of power from the market to the state in 2009 has and probably will continue to move SWFs conceptually from the periphery to the center of global financial and broader political affairs.

## b. Implementation of the Santiago Principles and the Global Financial Architecture

The increasing weight and legitimacy of SWFs in global financial affairs should go hand in hand with increasing responsibility for the governance and efficiency of global markets at large, particularly if these markets face the pressure that they experienced in 2008 and 2009. Arguably, the degree to which SWFs are able to influence these markets, in terms of their size and the allocation of their assets, and their performance under extreme market pressure, is important in terms of broader system stability. Thus, the international demand for more transparency is not based on random grounds or opportunistic interests, but should rather be understood as being based on the more profound notion of system responsibility.

This is where the argument to move forward with the implementation of the Santiago Principles is anchored. Though some progress was made in the months following the publication of the Principles in October 2008, a number of important SWFs, predominantly from the Arab world, were sluggish in their implementation. One reason obviously was the reduced pressure on SWFs due to the global financial and economic crisis of 2008 and 2009 which has caused Western governments and other political actors to become much less resistant to SWFs’ investment behavior. However, in the long run, SWFs should not rule out that politically motivated resentments against sovereign investors might resurface. Thus progress in the implementation of the Santiago Principles will succeed as an argument to convince the governments of host economies seeking to prevent discriminative protectionism.

## c. SWFs and their National Governance Standards

Only a cursory look at the tableau of SWFs is required to note that the Funds which are less compliant with the Santiago Principles and the overall standards of accountability, transparency and good governance come from countries with

a below-average overall governance record. In most cases control of the sovereign wealth, unchecked by formal institutions but with notable exceptions, is still mostly concentrated in the hands of the ruling families.

With SWFs exposed to domestic and international public audiences, a case could be made that the adjustment processes that SWFs from the region will have to undergo might over time have a general modernizing effect on public institutions in the Gulf Arab region. Smaller SWFs, such as the Abu Dhabi based Mubadala Development Company have already made substantial progress in terms of transparency and public reporting. Examples like these could develop a dynamic other more traditionally run institutions, cannot evade.

#### d. The Definition of SWFs' Role in Helping National Economies Overcome Dependency on Hydrocarbons and Ensuring Food Security

The mandate of commodity-based SWFs of the Gulf Arab region has been mainly to save revenues for the benefit of future generations. This has driven SWFs to engage in investment strategies that sought to optimize the risk-return relationship of financial assets. But their principals are increasingly aware of the future challenges that the economies of the Arab Gulf region will face due to the effects of climate change.

After a century's dominance by hydrocarbons as the main source of energy, much of the world is considering options that would move humanity "beyond carbon", and towards renewable forms of energy generation. Not surprisingly, there are important variables to consider for the future demand for hydrocarbons, most importantly the path towards the further integration of emerging economies into the world economy and the sources of energy this will require. Arguably, however, the use of hydrocarbons, in the long run, is uncertain.

On the other hand, water is rapidly becoming an increasingly scarce commodity not only in the Gulf Arab region, but in other regions as well. The direct effects of climate change, industrialization, population growth, the modes of agricultural production, and the shift towards biofuels are putting ever increasing pressure on the availability of water, with particularly pertinent consequences for the Gulf Arab region and its food security, amongst other concerns.

In other words, the Gulf Arab world possesses something that the world in the long run might not need any longer, i.e. oil; and it lacks something for which global demand is going to rise, i.e. water. The transformation from a global carbon to a post-carbon based economy poses a fundamental challenge to the Gulf Arab oil-based economies. And the scarcity of water poses a fundamental challenge to their food security. The constituents of SWFs cannot but be concerned about these prospects. A former oil minister of Saudi Arabia, Ahmad Zaki Yamani, argued once that Saudi Arabia was unfortunate enough to be endowed with oil rather than water. At the beginning of the 21<sup>st</sup> century, when climate change has emerged as the overwhelming global challenge, this observation takes on a new more dramatic meaning.

This broader trend will, in the medium to long run, put pressure on Gulf Arab SWFs to accept renewable energy as an important investment thesis. It will also force them to expand their positions in the food security debate. Arab governments have begun to engage their SWFs on these two issues. They have begun to mandate funds to identify viable investment propositions in renewable energy and agribusiness which in the mid term future might propel them to the center of the global renewable energy and food security debates. The policy implications, however, have not yet been thought through.

#### e. Redefine Arab Gulf SWFs' Role in Asia

Gulf Arab SWFs are also in the process of developing more sustainable strategies in order to replicate the growth stories of emerging economies such as India, China, Brazil, South Africa and others, collectively known as BRIC (i.e. Brazil, Russia India, China) economies. Arab Gulf SWFs have cautiously begun to reach out and engage in South-South investment schemes. The Kuwait China Investment Company, 15 per cent of which is owned by the Kuwait Investment Authority was established in late 2005 to focus on investments in Asia. Qatar and Indonesia have set up a US\$ 1 billion fund to invest in energy and infrastructure. Likewise, Qatar has also established a US\$ 1 billion fund with the Philippines. Moreover, in September 2009 Advanced Technology Management (ATIC), a specialist investment company, owned by the Abu Dhabi government and focused primarily on the technology sector, made a bid of US\$ 4.9 billion for Chartered, a leading Singapore-based semiconductor manufacturer. Other Gulf Arab SWFs are also considering their options.

The rise of Asia and other emerging markets has certainly increased the range of policy options available to SWFs. Whereas traditionally their investments were largely targeted towards the West, i.e. European and US markets, the existence of a viable alternative has increased their bargaining power and also provided the means to better diversify their political risk portfolio. In other words, Asia's rising prominence offers Gulf Arab SWFs the opportunity to put their eggs into more than one basket.

#### **Conclusion: SWFs as Agents of Geopolitical Change?**

Basically, two distinct scenarios ascribing two different *modi operandi* of SWFs in the world of international finance can be developed, based on assessment elaborated below.

The *first scenario* would suggest that, with the erosion of legitimacy the global institutions in providing order to global financial markets, governments and their related agencies will fall back to the logic of self-help, seeking investment opportunities where they arise, thereby carefully balancing financial returns and political risks, and building new alliances along the way, particularly in the growth economies of Asia. This would mean that SWFs from the Arab world and other

emerging economies would respond only opportunistically to the demands for higher levels of governance, transparency, and accountability, and favor investment destinations that are less likely to attract political scrutiny. Likewise, economies that are keen to access fresh sources of capital will become increasingly selective and biased in their approach towards foreign investors. They will seek to develop bilateral political alliances as the basis for deeper financial integration, at the expense of transparency and governance in the global market place, as well as risk compromising the liberal market orientation of their own economies.

The *second scenario* suggests that sovereign investors and recipient economies engage in a more strategic discourse about the foundations of any future global financial architecture. SWFs' international exposure increases their stake in the stability of global financial markets' institutional underpinnings, which in turn might cause them to participate more actively in redesigning their norms and procedures. This might translate into a more active and inclusive approach to the reform of global governance institutions. For the time being, there is certainly a substantial discursive gap between the recipient and investing economies about the future role of SWFs in the world of international finance.

The role of the Gulf Arab world in this transition phase, torn between reference to self-help in the international system and effective global governance arrangements, is certainly a crucial one. The economies of the Gulf Arab region are home to many of the world's most influential sovereign wealth funds. Despite volatilities in the commodities market, long-term price trends, driven by sustained growth of emerging economies and increasing demand for natural resources, suggest that the role of SWFs is bound to increase. The Gulf Arab economies, if they are able to keep their domestic spending in check, will continue to benefit from surplus capital which will in turn help them strengthen their external financial positions. Their future political orientation and position in contributing to the reform of the global financial order will therefore be vital.

# Soft Power: The Concept and the Chinese Approach

The term ‘soft power’ has become one of the most frequently used concepts among scholars and pundits in the field of international politics.<sup>1</sup> The focus is particularly on China, simply because of its phenomenal rise and expanding influence. Views on the subject vary widely, and span from assessments describing Beijing as weak or even hopeless in the application of soft power, while others see it as evolving into the primary challenger to US soft power throughout the world.<sup>2</sup> Proposals for a response span an equally wide spectrum, with some analysts cautiously welcoming Beijing’s diplomacy while others staunchly advocating counter measures against the growth of China’s influence.

Such sharp contrast of views partly stems from gaps in the existing conceptualization of soft power and consequent misunderstanding of the Chinese approach to soft power. This chapter attempts to shed some light on the conceptualization of soft power, analyze China’s approach to increasing its soft power influence in world politics, and the implications of the financial/economic crisis for China’s soft power. I conclude that China’s soft power influence has indeed grown quite substantially and is likely to grow in the coming decades. But various limitations will also render a dramatic increase of China’s political clout in international relations impossible. I also conclude that Beijing’s newly acquired soft power is unlikely to transform China into a much more active player in the solutions of regional spotlight issues.

## The Conceptualization of Soft Power Revisited<sup>3</sup>

Notwithstanding the striking popularity of the term, soft power is notoriously under-theorized, which leads to a nebulous conceptual framework that numerous analysts have nonetheless employed. Few people would dispute the

- 1 For discussions of the concept soft power, see Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books, 1990; *Soft Power: The Means to Success in World Politics*, Cambridge: Perseus Books Group, 2004.
- 2 Mingjiang LI (ed.), *Soft Power: China’s Emerging Strategy in International Politics*, Lanham: Lexington Books, 2009, pp. 1-3.
- 3 Part of the discussion in this section is drawn from my article, “Soft Power and the Chinese Approach,” *China Security* 4:3, Summer 2008.

basic criterion or benchmark to define soft power: that is, the ability to get what you want through attraction rather than coercion or payments. It is the ability to get desired outcomes because others want what you want.<sup>4</sup> What remains unclear and much disputed is what produces such attraction?

In the mainstream approach to the study of soft power, analysts tend to focus on certain sources of power – culture, values, and foreign policy – as the starting point in analyzing a country’s soft power. It is also argued that soft power includes the ability to shape international institutions and agendas.<sup>5</sup> However, shortcomings of this approach are evident. It is unclear why culture and values are juxtaposed to foreign policy as if the first two are not part of a state’s foreign policy. Second, it is taken for granted that these sources of power are non-coercive in nature, an assumption that is not supported by facts. Third, people who follow this approach tend to separate the ideational factors from material factors, which is practically impossible in the real world. Lastly, without considering the social context it becomes literally meaningless to discuss soft power.

In reality, as many critics have pointed out, there is no source of power that is soft in nature. In other words, no source of power inherently produces attraction. In certain circumstances, culture and values can be easily used for coercion. Conversely, economic and military power, which is conventionally regarded as source of hard power, can be used to produce attraction as well.

Culture is not always attractive. One has to acknowledge that any culture contains elements that are completely unacceptable or even repulsive to other people. Culture becomes attractive only when a society displays the good parts of its culture while downplaying those aspects that might be repulsive or disagreeable to others. Moreover, culture becomes hard power if a state intends to impose its cultural norms and values on other societies. Examples of such “cultural imperialism” or aggressive cultural foreign policy in history are numerous.

On the other hand, economic and military power, which many people believe is essentially a source of hard power, can be a source of admiration and attraction. Just imagine how people hit by the Tsunami felt when foreign military forces, including the US military, came to their rescue. If military strength is inherently hard power, it is hard to imagine why the Japanese government would allow American forces stationed on its territory. Many critics claim that the Iraqi war has significantly brought down American soft power in the world. If military strength is only a source of hard power, how can we explain the causal mechanism implied in this criticism?

All of this leads us to conclude that there is no source of power that is inherently soft or hard, and only becomes one or the other depending on how a state (or other actors) uses its power. Culture and values are important variables that need to be considered because they contain principles or norms relevant to social

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4 Robert O. Keohane and Joseph S. Nye, “Power and Interdependence in the Information Age,” *Foreign Affairs* 77:5, 1998, p. 86.  
 5 Joseph S. Nye, *Bound to Lead*; “Soft Power,” *Foreign Policy*, 1990.



relations – in essence, how an actor exercises its capability. Culture and values are also important because they often are wedded to material factors when playing a role in international politics. Seen from this perspective, the main sources of soft power for any nation-state would include the following: domestic economic, social, and political successes endorsed by its own people and admired by other nations; external recognition of its capability and perception of such capability as a neutral or friendly factor; the ability to provide public goods for the rest of the world including at the global, regional, and bilateral levels; the ability to set the agenda of international institutions through persuasive argumentations rather than coercion or payments; and the ability to legitimize one's own action or inaction and at the same time de-legitimize others' behaviors.

## China's Approach to Soft Power

China has clearly attached great importance to the prospect and growth of its soft power. In the past decade, many top Chinese leaders have frequently urged the nation's foreign affairs community to pay more attention to the cultivation and promotion of China's soft power in international relations. The Chinese Communist Party Secretary-General and President Hu Jintao, for instance, noted at the Central Foreign Affairs Leadership Group meeting on January 4, 2006: "The increase in our nation's international status and influence will have to be demonstrated in hard power such as the economy, science and technology, and defense, as well as in soft power such as culture."<sup>6</sup>

Hu again highlighted soft power in his political report to the 17<sup>th</sup> Party Congress in October 2007 and stressed the urgency of upgrading China's soft power to meet domestic imperatives and increasing international competition. Soft power and its relevance to China has become an important topic of discussion among Chinese strategic planners.<sup>7</sup> Chinese foreign policy analysts argue that although China has made much headway and still has great potential in promoting its soft power influence in the world, soft power is still a weak link in China's comprehensive national power. They believe that China's score on soft power has lagged behind its own hard power growth and the soft power of other major powers, particularly that of the United States.<sup>8</sup>

The Chinese elite believe that the growth of Chinese soft power can serve a multitude of purposes. They argue that soft power has to be an indicator of

6 Ma Lisi, "Guanyu wo guo jiaqiang ruan shili jianshe de chubu sikao," [Preliminary thoughts on accelerating China's soft power building] *Dang de wenxian* [Literature of Chinese Communist Party] 7, 2007, pp. 35-38.

7 Men Honghua, "Zhongguo ruan shili pinggu baogao," [Assessment and report of China's soft power] *Guoji guancha* [International Observations] 1:2, 2007, pp. 15-26; 2:3, 2007, pp. 37-46.

8 Zhan Yijia, "Zhongguo shi ruan shili daguo ma?" [Is China a nation with strong soft power?] *Shijie Zhishi* [World Knowledge] 20:5, 2006; Deng Xiaochao, "Qiao ran jueqi de zhongguo ruan shili," [Chinese soft power quietly growing] *Ascent* 24:6, 2005, pp. 89-93; *Liberation Daily*, "Touxu zhongguo 'ruan shili,'" [Analysing China's soft power], 3 October 2005.

major power status in the world. They believe that soft power is crucial in helping dispel the misperceptions and misunderstandings of the real China by the outside world, develop a better image of the Chinese regime in the world, fend off excessive influence and penetration of foreign cultures into China, particularly those ideologies or beliefs harmful to the legitimacy of the ruling party.<sup>9</sup> Ultimately, Beijing aims to expand its influence in world politics through a soft power strategy, as the well-know Chinese scholar Zhu Feng argues: China has to transcend the conventional approach in international competition that focuses on hard power, and instead seek to win ideas and international influence to maintain a “soft counterbalance” instead of “hard counterbalance”.<sup>10</sup>

China has taken many measures to increase its soft power influence in the world at the global and regional levels. All these moves essentially can be characterized as a soft use of power approach described in the section above. In response to external rhetoric of a “China threat” and concerns about the negative consequences of China’s rise, speeches by Chinese leaders and official media outlets have constantly touted the peaceful nature of the Chinese culture. Beijing has time and again vowed to pursue a “peaceful rise” strategy for China’s ascent in the international system.<sup>11</sup> Top Chinese leaders have openly committed China to the cause of establishing a “harmonious world.” Chinese officials and scholars have made a conscious effort in telling the story of Zheng He, the Chinese maritime adventurer during the Ming dynasty, who undertook seven voyages to Southeast Asia, South Asia, and East Africa. They emphasize the fact that the purpose of Zheng He’s trips was to strengthen cultural exchange and expand trading opportunities, rather than colonial domination, in sharp contrast to Western expeditions decades later. Stories like that of Zheng He have been used as exemplifications of the peaceful nature of traditional Chinese culture. Some of the cultural norms that have been constantly lauded by Chinese interlocutors include benevolent governance (*wang dao*), peace as a normative priority (*yi he wei gui*), winning respect through virtues (*yi de fu ren*), harmony without suppressing differences (*he er bu tong*), and harmony between nature and mankind (*tian ren he yi*).

In the past twenty years, China has actively participated in various international institutions and attempted to play an active role in providing various international public goods. Of course, China, like all other countries, had its own selfish national interests in international affairs. But it is not to be neglected that China made strenuous efforts in striking a balance between the attainment of its own national interests and the formation of a better self-image on issues ranging from international economic affairs to non-proliferation and climate change issues. Beijing has won kudos for its impressive contribution to various United Nations peace-keeping operations in the world. In the post-Cold War era, China

9 Mingjiang LI, *Soft Power*, pp. 30-33.

10 Zhu Feng, “Zhongguo ying duo cezhong ‘ruan shili’ jueqi,” [China should give priority to soft power rise] *Huanqiu Shibao* [*Global Times*], 30 April 2007.

11 Zheng Bijian, “China’s ‘Peaceful Rise’ to Great-Power Status,” *Foreign Affairs* 84:5, Sep/Oct 2005, pp. 18-24.

has also made a notable effort in reaching out to many of the developing countries in Africa and Latin America, providing all sorts of assistance programs.<sup>12</sup>

## Reaching out to the Region

Most conspicuous in China's soft power offensive is perhaps Beijing's soft use of power strategy in its neighborhood in East Asia.<sup>13</sup> These include conscious efforts in adapting to the existing regional system, a non-confrontational approach to its relations with other major powers in East Asia, reassuring its neighbors of its peaceful rise, solving border disputes with the vast majority of its neighbors and endeavoring to maintain a peaceful and stable environment in its neighborhood, active participation in multilateralism, shelving disputes that are temporarily intractable, and pursuing win-win deals in its economic activities in the region.

Some more examples would present a clearer picture of China's new approach in its international relations in East Asia. It would be no exaggeration to conclude that the past decade has been a golden age in China's relations with its neighboring states ever since the founding of the People's Republic of China. Beijing's sour relations with Japan and Taiwan a few years ago, which many observers had regarded as evidence of China's die-hard position in East Asia, have now changed to the better with a Sino-Japanese strategic partnership in the making and the warming up of relations across the Taiwan Strait. Land border disputes, which have plagued China's ties with many neighbors, have largely been resolved with the exception of India. According to one study, China has made substantial compromises in territorial negotiations.<sup>14</sup> On the North Korea nuclear issue, China has been playing an important mediating role.<sup>15</sup> Beijing has also exercised self-restraint with regard to the East China Sea dispute (including the Diaoyu/Senkaku islands) with Japan and the contention over the South China Sea with a

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- 12 Joshua Kurlantzick, *Charm Offensive: How China's Soft Power is Transforming the World*, New Haven: Yale University Press, 2007.
  - 13 For more information about China's foreign policy in East Asia, see David Shambaugh, "China Engages Asia: Reshaping the Regional Order," *International Security* 29:3, Winter 2004/05; Avery Goldstein, "The Diplomatic Face of China's Grand Strategy: A Rising Power's Emerging Choice," *The China Quarterly*, 2001; Evan Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs*, 82:6, Nov/Dec 2003; David C. Kang, "Getting Asia Wrong: The Need for New Analytical Frameworks," *International Security* 27:4, Spring 2003; Morton Abramowitz and Stephen Bosworth, "Adjusting to the New Asia," *Foreign Affairs* 82:4 July/August 2003; Kokubun Ryosei and Wang Jisi (eds.), *The Rise of China and a Changing East Asian Order*, Japan Center for International Exchange, Japan, 2004; Zhang Yunling and Tang Shiping, "China's Regional Strategy," in David Shambaugh (ed.), *Power Shift: China and Asia's New Dynamics*, University of California Press, 2005; and Shiping Tang, Mingjiang Li, and Amitav Acharya (eds.), *Living with China*, Palgrave-Macmillan, 2009.
  - 14 M. Taylor Fravel, "Regime Insecurity and International Cooperation: Explaining China's Compromises in Territorial Disputes," *International Security* 30:2, Fall 2005, pp. 46–83.
  - 15 Denny Roy, "China's Reaction to American Predominance," *Survival* 45:3, Autumn 2003.

few Southeast Asian states.<sup>16</sup> As signs of the continuation of its moderate policy, China recently signed the in-principle agreement with Japan on joint development in the East China Sea.<sup>17</sup>

Over the years, China has also found that participation in multilateralism helps reassure neighboring states of China's goodwill while its comprehensive power continues to increase. Now China is not only a member of almost all regional institutions and forums but also takes an active role in the agenda-setting regarding regional political, economic, and security issues. China's presence and participation are quite remarkable at various ASEAN-related forums and mechanisms since the mid-1990s. These include the ASEAN Regional Forum (ARF), ASEAN plus three (ASEAN with China, South Korea and Japan), ASEAN plus One (ASEAN with China), the free trade agreement with ASEAN, several documents signed with ASEAN in the field of non-traditional security issues, the Joint Declaration on Strategic Partnership for Peace and Prosperity with ASEAN, accession to the ASEAN Treaty of Amity and Cooperation in 2003, and participation in the East Asian Summit (EAS). In addition, China has participated in almost all non-official track-two security dialogues concerning East Asia.

Gradually, many East Asian states regard China as an emerging engine for economic growth in the region. Political leaders in the region still remember China's decision not to devalue the Yuan during the 1997-98 Asian financial crisis because the devaluation of the Chinese currency would have significantly weakened the export competitiveness of many East Asian, particularly Southeast Asian economies, thus exacerbating the negative impacts of the financial crisis on those economies. Trade between China and other Asian countries has played an instrumental role in cementing China's relations with the rest of the region. In 2007, China's export to other Asian trading partners accounted for 46.6 percent of China's total exports. And its import from the rest of Asia accounted for 64.9 percent of the national total. Among mainland China's ten largest trading partners, six are located in Asia, including Japan, ASEAN as a whole, Hong Kong, Taiwan, South Korea, and India.<sup>18</sup> China's participation in trade and investment in East Asia has contributed to economic interdependence and economic growth in the whole region. In recent years, China has emerged as one of the major Overseas Development Aid (ODA) suppliers for a few Southeast Asian countries, although the true picture of China's aid programs in the region is not clear due to a lack of reliable statistics. We can cursorily look at two examples. In Cambodia, China provided at least US\$ 800 million in 2005 and 2006, with most

16 Zhang Yunling and Tang Shiping, "China's Regional Strategy," 61; Evan Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Policy* 82:6, pp. 22-35.

17 Frank Ching, "East China Sea deal eases Sino-Japan tension," *Business Times* (Singapore), 2 July 2008.

18 Data collected from the Chinese Ministry of Commerce, <http://zhs.mofcom.gov.cn/tongji2007.shtml>, (Chinese, accessed 20 July 2010).

of the money being used for infrastructure and hydropower projects.<sup>19</sup> China has proffered US\$ 1.8 billion to the Philippines on various development projects and will provide US\$ 6 to 10 billion in loans over the next three to five years to finance infrastructure projects in the country.<sup>20</sup>

China has also taken an active role in East Asian maritime affairs.<sup>21</sup> In the past decade or so, the People's Liberation Army has made notable progress in engaging the militaries of many other countries, particularly in the form of joint search and rescue exercises on the seas. In recent years, China has conducted such exercises with a wide range of countries, including India, South Korea, Japan, the US, Australia and New Zealand. China is no longer an outsider in East Asian maritime cooperation, particularly in some of the concrete projects, such as joint oceanic research, environmental protection, management of offshore areas, information exchange, seismic information and technology, countering terrorism, drug trafficking, and human trafficking in Northeast Asia. At the broader international level, China has been participating in the United Nations Environment Program Global Meeting of Regional Seas, the Global Program of Action for the Protection of the Marine Environment from Land-based Activities, the East Asian Seas Action Plan, and the Northwest Pacific Action Plan.

It is also apparent that China attempts to further demonstrate its charm through a cultural renaissance. In September 2006, the Chinese government released an official document entitled "The National Planning Guidelines for Cultural Development in the Eleventh Five-Year Period."<sup>22</sup> The document asserts that today's world culture is increasingly intertwined with economics, politics and technologies, all of which are important indicators of a nation's comprehensive power. To win the international competition in this complex environment, a state will not only need strong economic, technological and defence power but also strong cultural power. In fact, the guidelines stipulate that one of the goals of Chinese cultural development is to increase the influence of Chinese culture in the world so that it can match the nation's economic power and international status. A major initiative in this endeavour has been Chinese government support for the establishment of Confucius Institutes worldwide. Up to April, 2009, as many as 326 such institutes have been set up in many parts of the world.<sup>23</sup> Another major initiative that is likely to be undertaken is the ambitious goal of dramatically expanding the influence of Chinese media outlets. The Chinese government has reportedly decided to spend 45 billion Yuan (US\$ 6.6

19 Elizabeth Mills, "Unconditional Aid from China Threatens to Undermine Donor Pressure on Cambodia," *Global Insight* 7, June 2007.

20 *Business World*, Manila, 3 January 2008.

21 For some of the details, see Mingjiang LI, "China's Gulf of Aden: Expedition and Maritime Cooperation in East Asia," *China Brief* IX:1, 12 January 12 2009.

22 *Xinhua News Agency*, "Full Text of the National Planning Guidelines for Cultural Development in the Eleventh Five-Year Period," 13 September 2006.

23 The figure is provided by the Chinese agency in charge of Chinese language education for overseas learners; see the Chinese website: <http://www.hanban.edu.cn/kzxy.php> (accessed 27 August 2009).

billion) to fund a major expansion of CCTV, People's Daily and the official Xinhua News Agency.<sup>24</sup>

## The Financial Crisis and China's Soft Power

Soft power, like hard power, is relational. This is captured by the quip that China has won the Iraq war. When one major power flunks in its international politics, people in the world automatically look to another power for wisdom or solutions to build a better world. The financial and economic crisis that started in the second half of 2008 seems to have provided a good opportunity for China to increase its soft power at the global level. The Pew Global Attitudes Project survey of 2009 found that favorable views of China in many countries have increased. The percentage of respondents in the US who had favorable views of China increased to 50 percent in 2009 from 39 percent last year. This is perhaps a good reflection of China's increased international profile in the midst of the financial crisis.

For a long time, ruling elites in autocratic and authoritarian regimes have resisted the politico-economic prescriptions of the "Washington Consensus." The financial crisis has further weakened the attraction and persuasiveness of the "Washington Consensus," even in the eyes of moderate liberals in many non-democratic countries, although the exact degree of such weakening is still unclear. As a result, the Chinese model of development, which had been quite popular among authoritarian rulers in much of the developing world, has gained even more attention among political elites in the world. In the three decades of socio-economic development, China has pursued a market economy without democratization, maintained a strong government in socio-economic affairs, and attempted to keep a fair amount of autonomy and self-reliance while integrating its economy to the international economic system. In the context of the financial crisis, "China might become de facto proof that economic development without democratization is possible. Hence, respect for China is on the rise, particularly among the less-developed countries in Africa and elsewhere. They want to imitate China's economic development and, at the same time, disregard the conditions of democratization that come with American aid."<sup>25</sup>

Latest reports from all over the world show that whether from developed countries in Europe and America or from developing countries in Asia, Africa and Latin America, government officials, experts and scholars, executives and business leaders all repeatedly refer to the 'China model' whenever they talk

24 Peh Shing Huei, "Enter China's 'media aircraft carrier'; Revamp to China's four key media arms will boost its global presence," *Straits Times* (Singapore), 23 July 2009.

25 Kang Seonjou, "A new world order with the Beijing Consensus," *Korea Herald*, 27 April 2009.



about China's charisma, and are fascinated by the concept.<sup>26</sup> The fact that China has weathered the financial and economic crisis better than many other major economies in the world is likely to make the "Beijing Consensus" even more appealing to many people in the developing non-democratic countries.

The financial crisis also provided a good opportunity for China to play a larger role in various international institutions. This is certainly the case if we look at the Chinese activism in putting forward various policy proposals. Leading Chinese policy makers, in an unusually proactive manner, have attempted to publicly announce China's policy responses to the financial crisis. At the Asia-Europe Meeting in October, 2008, Premier Wen Jiabao Wen called for new rules to guide the international financial system. Wen commented that the crisis has disclosed some defects in the current international financial system and that a fair and efficient international financial system is needed. He called for increased participation of developing countries in international financial organizations, strengthening supervision of the international financial system and building a financial assistance system.<sup>27</sup> Vice Premier Wang Qishan openly called for the reform of the international financial system to give more decision-making power to the developing countries before the G20 summit in London. Zhou Xiaochuan, governor of China's central bank, called for a new international reserve currency to replace the US dollar as the anchor currency.

Chinese elite are increasingly more confident of their country's role in the world's leading economic institutions. The G-20 summit was a good opportunity for China to seek a bigger say in the international community and bid for a better position in possible future global disputes.<sup>28</sup> At the G20 meeting, China pledged to proffer US\$ 40 billion in extra funding to the International Monetary Fund. The official Chinese press agency Xinhua described the Chinese contribution as having given Beijing "a chance to showcase its growing importance to the world economy."<sup>29</sup> China's Foreign Minister, Yang Jiechi, said President Hu Jintao's participation at the G20 summit grabbed much attention, helping to ensure it "produced high values in fighting the financial crisis and built up confidence for the world to renew economic growth."<sup>30</sup> Zhao Jinping, an economist with the State Council's Development Research Centre, believes that China's financial contribution to the International Monetary Fund would not only enhance its voting rights in the organization, but perhaps more importantly demonstrates "the country's clout." China's sovereign wealth fund head Jin Liqun says devel-

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26 *Renmin Ribao* (People's Daily), "Analysis: Why Does the China Model Fascinate the World?" 30 June 2009; cited in *BBC Monitoring Asia Pacific*, "Chinese party paper views world's fascination with 'China model'," 30 June 2009.

27 *China Daily*, "Wen Calls for Restructuring of Global System," 27 October 2008.

28 Jane Cai, "Beijing finds voice in call for new order; Officials go high profile ahead of G20 summit," *South China Morning Post*, 28 March 2009.

29 Cary Huang, "China ready to flex wings as world power," *South China Morning Post*, 8 August 2009.

30 Rowan Callick, "Chinese celebrate summit showcase," *The Australian*, 6 April 2009.



oped countries should seek help from developing countries such as China ‘with humility’. Referring to the request for an additional capital injection into the International Monetary Fund (IMF), he comments: “Nobody is going to play with you if you want China to spend money amid the deepening financial crisis while still giving us little voting power.”<sup>31</sup> Adair Turner, chairman of the UK’s Financial Services Authority, commented that more cooperation with China in the future is significant because China has become a member of the global Financial Stability Board (FSB), which the G20 hopes will better regulate the global financial system.<sup>32</sup>

China’s economic prosperity is increasingly regarded essential for the well-being of many other economies. In response to the financial crisis, Beijing invested hundreds of billions of Yuan into infrastructure, such as railways and urban facilities, as well as post-earthquake reconstruction in Sichuan, while offering subsidies to lower-income groups and rural areas, in addition to public housing. Chinese leaders, such as Premier Wen Jiabao, on many occasions, have confidently and proudly proclaimed that China can contribute to the alleviation of the deepest financial crisis since the Great Depression by keeping its domestic economy growing. China is the world’s biggest consumer of many metals and the second largest oil consumer. Growth rates in China are therefore directly related to commodity prices in the Middle East, parts of Latin America, Australia and Canada. In the past few quarters, when many countries fell deep in the economic slump, the Chinese economy kept at a fairly high rate of growth largely due to China’s 4 trillion Yuan (US\$ 600 billion) rescue package. In addition, “for countries fearful of their excessive dependence on the US economy, China offers an opportunity to reduce their vulnerability. If the Chinese economic cycle is not perfectly correlated with that of the US, it makes perfect sense for countries to build economic relationships with China to diversify risk.”<sup>33</sup>

In a new report, Goldman Sachs Group Inc. economists predict that the BRIC nations – Brazil, Russia, India and China – will account for half the globe’s consumption growth in 2010. The investment bank said that China alone would likely account for 30% of that growth next year. That exceeds the combined growth of the G3 – United States, Japan and Germany – as they crawl out of recession.<sup>34</sup> In the words of David Burton, the head of the IMF’s Asia-Pacific department, despite China’s own economic slowdown, “with its robust reserves, I have

31 Timothy Garton Ash, “Ideological shift as power shifts?” *Straits Times* (Singapore), 20 November 2008.

32 *China daily*, “China Crucial to World’s Recovery,” 18 June 2009.

33 Stephen King, “China could emerge ahead of the field in this latest stress test,” *The Independent* (London), 11 May 2009.

34 Alia McMullen, “Emerging countries take spending lead,” *National Post’s Financial Post & FP Investing* (Canada), 7 August 2009.

no major worries about China, which will be a source of stability for the globe for the next year or two.”<sup>35</sup>

China clearly understands that the financial crisis has offered a golden opportunity for it to increase its global influence. The case of Jamaica is conveniently evident. In the face of the financial crisis, Jamaica encountered serious economic challenges. The Caribbean island country sought help from its traditional allies, the United States and Britain, but the two countries were preoccupied with their own financial problems. China became a new friend of Jamaica and provided a loan package totaling US\$ 138 million in March, making China Jamaica’s biggest financial partner. Headlines in Jamaica’s leading newspapers, which only a year ago were filled with concern about China’s growing influence in the region, gushed about its generosity. E. Courtenay Rattray, Jamaica’s ambassador to China, lavishly praised China: “The loan couldn’t have come more in time and on more preferred terms,” adding that while the island nation continues to value its close relationships with Western powers, in some respects Jamaica has more in common with China. “Those are developed countries. They don’t have such an in-depth understanding of the development aspirations of Jamaica as does China.”<sup>36</sup>

The increased role of China in global affairs is also evident in the new dynamics in Sino-US relations. At the G20 London summit, Obama and Hu decided to set up the Strategic and Economic Dialogue (SAED) as the regular mechanism to guide bilateral relations. Under this arrangement, there will be cabinet-level dialogues on political and economic issues every year. The upgraded bilateral consultation mechanism indicates the increased international influence and role of China. The new mechanism is also likely to stabilize Sino-US relations in the coming years. This will provide a conducive environment for China to play an even larger role in international politics as the amount of American constraint will be less. The prospect of a multipolar world looks much closer because of the financial crisis. The increasing emergence of a multipolar world will be propitious to China since it is likely to give China more decision-making power in major international institutions and international affairs.

The rising profile of China could be more eye-catching if the US power continues to be perceived as declining. Foreign policy analysts are warning that the financial crisis in the United States could very well hasten the decline of U.S. power and influence overseas. An American National Intelligence Council report predicts that by 2025 there will be a new world order: US supremacy will be over, and the importance of China will become even more notable.<sup>37</sup> American top intelligence analyst, Thomas Fingar, also warned that, while Washington will remain the pre-eminent power in 2025 in the world, its dominance will be much

35 Denise Tsang, “IMF official sees mainland as oasis of stability in global turmoil,” *South China Morning Post*, 4 November 2008.

36 Ariana Eunjung Cha, “China Uses Global Crisis to Assert Its Influence,” *Washington Post*, 23 April 2009.

37 National Intelligence Council, *Global Trends 2025: A Transformed World*, November 2008.

diminished and Washington's leadership will erode at an accelerating pace in the political, economic and cultural arenas.<sup>38</sup> Investment bank Goldman Sachs has recently predicted that China would overtake the US as the world's number one economy by 2027 instead of 2040 as it had previously foreseen.<sup>39</sup> Analysts worry that "from a psychological perspective, this financial crisis, coupled with America's troubles in Iraq and Afghanistan, will take a toll on respect for and deference to American strength as concerns both hard and soft power."<sup>40</sup>

## Conclusion

In the post-Cold War era, the most significant achievement in China's soft power has been Beijing's ability to forestall the formation of any international coalition that can strategically contain its rise. It was able to do so largely because of its prudent and cautious use of power. It is China's proactive engagement in Asia that has brought China much influence in the region. The essence of China's new regional posture is a set of strategies and tactics to reassure regional states of China's peaceful intention during its rise. China now is largely seen in almost all East Asian nations as an opportunity for further economic development. The popularity of the "China threat" theory has dwindled. Political elites in many countries in this region are more inclined to believe that China is likely to be a benevolent power in the near future.<sup>41</sup>

The financial crisis has provided a good opportunity for China to further raise its international profile and soft power influence. "From successfully hosting the 2008 Olympic Games to recognition as a so-called G2 partner with the US, China's clout on the global stage has had a boost. And significantly, this has been achieved in a year, not decades."<sup>42</sup> It is very likely that China will play a more important role in international affairs as the nation's capability increases. But one should also be aware of the many limitations to the growth of China's soft power and its limited role in the solution of many international as well as regional problems.

First of all, there are notable limitations to the dramatic increase of China's soft power. The political values of the ruling elites have largely disserved the growth of Chinese soft power. This is all the more evident in the fiascos of the Tibetan issue and Olympic torch relay outside of China in 2008 and the negative international repercussions in the wake of the massive unrest in Xinjiang in July 2009.

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38 Joby Warrick and Walter Pincus, "Reduced Dominance Is Predicted for U.S.; Analyst Previews Report to Next President," *Washington Post*, 10 September 2008.

39 Cary Huang, "China ready to flex wings as world power," *South China Morning Post*, 8 August 2009.

40 Jim Lobe, "Financial Crisis Could Further Erode U.S. Influence," *IPS – Inter Press Service*, 25 September 2008.

41 Michael A. Glosny, "Heading toward a Win-Win Future? Recent Developments in China's Policy toward Southeast Asia," *Asian Security* 2:1, 2006, pp. 24–57.

42 Cary Huang, "China ready to flex wings as world power," *South China Morning Post*, 8 August 2009.

The so-called Chinese model of development, the “Beijing consensus” – political authoritarianism plus market economy – may be appealing to leaders in a few autocratic regimes. But, that victory has become a burden for China’s relations with most western powers and also costly for Beijing’s diplomacy. In an international system that is still dominated by Western powers and Western philosophies, China is usually seen as an alienated power. In addition, as many people have pointed out, the Chinese approach to modernization actually contains many elements of the “Washington consensus” as far as market economy and international economic policy are concerned. Also, as the deficiencies of the Chinese approach are manifested, e.g. pollution, corruption, and income disparity, it is doubtful that other developing countries would look to China for guidance in their own development paths.

Second, it should be noted that Beijing will find it increasingly more difficult to provide international public goods at the expense of China’s own interests. For decades, China has proposed to shelve maritime territorial disputes with its neighbors and jointly develop the resources in those disputed seas. It is unlikely that China can make further substantial concessions from that position. Tensions with regard to territorial contentions in the South China Sea will significantly restrain China’s soft power influence in East Asia. At the global level, Beijing will also find it increasingly more difficult to play a leading role in solving many international problems, such as the trade negotiations in the WTO and climate change.

Third, the accumulation of China’s soft power has very pragmatic purposes. These purposes include maintaining a fairly important profile in the international system, securing the supply of energy and other resources to continue to fuel the rapid domestic economic growth, and gaining political support from other developing countries in the face of fierce and seemingly relentless Western accusations of substandard human rights practices in China. There is no evidence that Chinese leaders intend to convert their increased soft power influence into a larger role in solving regional hotspot issues, such as the Iranian nuclear issue or the Sudan problem. Chinese decision-makers understand very well that if they dance with their Western counterparts in exerting too tough pressures on those countries involved China would end up seeing its political influence in the region and over those countries rapidly shrinking. Consequently, Beijing’s attainment of those pragmatic ends would be called into question. The mainstream assessment in the Chinese strategic circles is still that China is simply not prepared to play a more proactive role in various regional disputes.<sup>43</sup> Many in China even believe that having those regional contentions remaining unresolved would be at least partially good for China because those issues will keep the Americans busy and help divert Washington from paying too much attention to the rise of China. In short, in the coming ten to twenty years, it is very likely that China’s soft power influence at the global and regional levels will further grow, but it is premature to

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43 Author’s interviews with various Chinese officials and strategic analysts in the past years.

anticipate any dramatic increase of China's clout in world and regional politics in the foreseeable future.

# Delinking Real Security from False Notions of Prestige: Lessons for the Middle East from South Asia's Anti-Nuclear Weapons Movement

## Introduction

India and Pakistan both became nuclear weapons-states in 1998 and have since accelerated their programmes to stockpile fissile-material and build more warheads and missiles. Nuclear weapons have made them less, not more, secure and encouraged military adventurism – especially in Pakistan, a volatile, strife-ridden and unstable state. Their nuclear programmes were originally driven by false notions of prestige, which treat the ability to make mass-destruction weapons as a major scientific and technological achievement and as a passport to high global stature. In reality, nuclear weapons are proving a liability in South Asia. They have heightened strategic rivalry, created new uncertainties and instabilities, and led to a sharp rise in military spending at the expense of cutbacks in social sector programmes, thus reducing human security. The India-Pakistan experience exposes the fragility of the doctrine of nuclear deterrence. The anti-nuclear weapons movements in India and Pakistan have developed a comprehensive critique of reliance on nuclear weapons for security. Their experience could be valuable to the Middle East where competition to acquire a nuclear weapons capability is growing.

## The Litmus Test for Superpowers – Crossing the Nuclear Threshold in India and Pakistan

The crossing of the nuclear threshold in South Asia, leading to the emergence of India and Pakistan as overt nuclear weapons-states (NWSs) in May 1998, is a development of great consequence for global security. Not only does it represent the biggest breakout from the international nuclear order since the Nuclear Non-Proliferation Treaty was signed in 1968. It is also unique in that it gives a particularly nasty mass-destruction edge to the long-standing strategic hostility

between the two states, which were born in mutual rivalry through the Partition of 1947. India and Pakistan have fought three full-scale wars with each other and continue to clash bitterly over Kashmir, which remains a potential flashpoint, as do terrorist attacks in India by Pakistan-based groups.

The nuclear danger – in particular, the risk of a conventional conflict escalating to the nuclear level – is arguably higher in South Asia than in any other part of the world, a circumstance captured in former United States President Bill Clinton's characterisation of the region as “the world's most dangerous place”. The danger is further enhanced by Pakistan's recent evolution, marked by the rising tide of *jehadi* extremism, endemic political instability and violence, and the disintegration of many institutions of governance. All this has attracted it the description of “failing state”.

Currently, India and Pakistan are each believed to possess between 60 and 150 nuclear bombs of the Hiroshima and Nagasaki types, each of which, it is estimated, can kill up to 800,000 people if dropped over a major subcontinental city. Both states are reported to be stockpiling weapons-grade fuel at a furious pace. In addition to aircraft that can carry nuclear weapons, they possess and are developing several classes of ballistic missiles to deliver them. Neither country possesses a reliable nuclear command and control system or technologies for robustly securing nuclear weapons against accidental or unauthorised use.

Both India and Pakistan have greatly increased their military spending over the past decade – India by a threefold magnitude – at least partly by cutting back on social sector programmes badly needed by the poor. India and Pakistan are home to the largest number of the world's poor people, about 40 percent of whom live there.

Between the two nations, it is India that has proactively set the nuclear agenda. Pakistan has by and large been reactive. It has no basic nuclear doctrine, principle or position of its own. In the nuclear field, Pakistan will do whatever India does. And it won't do what India doesn't do. If India signs the Nuclear Non-Proliferation Treaty (NPT), so will Pakistan. India refused to sign the Comprehensive Test Ban Treaty (CTBT) in 1996. Pakistan duly followed. All of Pakistan's nuclear policy moves are India-specific.

### **From Opposing Nuclear Weapons to a Policy of Ambiguity**

India's nuclear policy has gone through a full circle. After Independence in 1947 and until the late 1960s, India unilaterally renounced nuclear weapons and rejected nuclear deterrence as “morally abhorrent” and strategically irrational. In the Nehruvian era (1947-1964), India energetically championed the cause of nuclear restraint and disarmament, including a ban on testing nuclear weapons through explosions. After the late 1960s however, India shifted towards nuclear “ambiguity” and developed a nuclear weapons capability, which it demonstrated by conducting a test explosion in 1974.



This policy of ambiguity got degraded during the global debate on the CTBT in 1995-96. India, which pioneered the CTBT in 1954, became its most vociferous opponent in 1996. Two years later, India fully embraced nuclear deterrence and declared itself a nuclear power. It has since refused all measures of nuclear restraint, not to speak of disarmament.

India's May 1998 decision to cross the nuclear threshold was not threat-driven but status-driven, as was its decision to conduct a single nuclear test in 1974. India termed that test "peaceful" to avert international opprobrium and sanctions. Once the moral break – the shift from nuclear abstinence, to the acquisition and active development of a nuclear weapons capability – was made, it became possible to execute a transition towards a full-scale embrace of the nuclear deterrence doctrine. Even so, this transition took a quarter-century because there was no strong political driving force until the mid- to late 1990s which wanted to rush that change.

Until India's China war of 1962, there was virtually no current of domestic political opinion which demanded the bomb. Then, in 1964, the Jana Sangh, the precursor of today's Hindu Right-wing Bharatiya Janata Party, advocated that India become a nuclear weapons-state in keeping with its destiny as a great, militarily powerful Hindu nation, if not a global superpower.

As soon as the Bharatiya Janata Party came to power at the national level briefly in 1996, it looked for ways of crossing the nuclear weapons threshold. But that government did not last beyond a fortnight and lacked the time to complete preparations for another test. It fulfilled its nuclear craving two years later. Meanwhile, the ground for a critical policy shift was laid through the global debate on the CTBT, which had major reverberations in India.

Until 1995, India's doctrinal position on nuclear weapons was in continuity with its post-1974 past, namely that nuclear deterrence is both "abhorrent" and irrelevant to the security of India or any other state. In June 1995, it submitted an official memorandum to the International Court of Justice in which it demanded that the use, threat of use, and even preparations for acquiring nuclear weapons be pronounced illegal, incompatible with international law and immoral, illegitimate and unacceptable "in any and all circumstances". Until autumn 1995, India cited the CTBT as the model of a "global, non-discriminatory and universal" nuclear restraint agreement, which deserves unconditional support. But soon thereafter, New Delhi started linking the CTBT with "time-bound" progress towards complete global nuclear disarmament.

Between 1994 and 1996, when the CTBT's negotiation became imminent at the Conference on Disarmament in Geneva, the issue of signing the Treaty acquired burning political urgency in India because of its likely impact in technologically freezing or degrading the country's nuclear option. Officially, India criticised the CTBT not because of its impact on its own nuclear capability or "national security", but by citing its inadequacies in *universal* terms.

## Breaking with Ambiguity: The First Nuclear Tests

On the ground, India's position hardened, and it undertook preparations for a test. In December 1995, the government, then led by the Congress party (which is now in power in a coalition), internally debated whether it should conduct a nuclear test for which preparations had been made in the Rajasthan desert. But the Cabinet decided against it primarily because of the likely adverse economic impact on account of international sanctions. Another reason for deciding not to test was the US discovery of the preparations and the diplomatic-political pressure mounted by Washington.

In mid-1996, there occurred a significant doctrinal shift in India's nuclear stance from the past: New Delhi for the first time publicly asserted a positive link between a nuclear weapons capability and "national security", a phrase alien and new to the Indian nuclear discourse, which was traditionally couched in universal terms.

In June 1996, the newly-elected non-Congress, non-BJP United Front government formally announced its refusal to sign the CTBT. India's ambassador to the Conference on Disarmament negotiations, Arundhati Ghose, famously declared that India would not only not sign the CTBT, but block it in the CD. This position was supported by all political parties with any representation in Parliament, big or small, without exception. India unsuccessfully tried to block the CTBT, which by now had turned into a litmus test of "national sovereignty" and "pride".

This furnished the backdrop and context for the crossing of the nuclear Rubicon in May 1998. The 1998 parliamentary election manifesto of the BJP stated that if elected to power, the party would re-evaluate India's nuclear policy and "exercise the option to induct nuclear weapons". The founding document of the 1998 post-election ruling coalition headed by the BJP, the "National Agenda for Governance", retained this formulation verbatim. But official statements deliberately suggested that any revision of nuclear policy would follow an overall "Strategic Defence Review". This never happened.

Within days of coming to power in March 1998, the BJP leadership decided to conduct a series of nuclear tests. The decision or its rationale was not discussed in the Cabinet. Only a handful of individuals were party to it. Even the Chiefs of the Armed Services were kept in the dark about it until two days before the first set of nuclear explosions on May 11, 1998.

India conducted three nuclear explosions on May 11, followed by two more on May 13, and declared itself a nuclear weapons-state. The first formal justification for India going nuclear was given by Prime Minister Atal Behari Vajpayee to US President Bill Clinton in a letter written on the day of the first tests. It specifically cited Pakistan and Chinese nuclear threats as the reason for India's break with ambiguity and offered to "cooperate" with the US in promoting the global "disarmament agenda".

There was a revision of this official rationale within a month, which holds to this day. The rationale for acquiring nuclear weapons was now declared to be "not

country-specific". In late 1999, New Delhi further changed this, this time stating that India's deterrent is neither "country-specific" nor even "threat-specific".

## **The Quest for National Prestige**

The overwhelming consideration which drove India's acquisition of nuclear weapons – and which continues to be the motor force of its programme to build an ambitious, large, open-ended nuclear arsenal with land-, sea- and air-based capabilities and with a variety of missiles – has very little to do with real or perceived threats. It lies in a search for global prestige and a place at the world's High Table on the presumption that nuclear weapons are a source of status and a currency of power, and that their possession gives a nation high leverage in global affairs. India's leaders evidently believe that having nuclear weapons is an essential attribute of being a superpower, a status to which their nation must aspire, and which is indeed its destiny.

For Pakistan too, the rationale for acquiring nuclear weapons had to do with a quest for prestige and status, including strategic "parity" with India. But there is also a plausible rationale, apparently rooted in security considerations – namely, India's nuclear weapons, to deter which it needs its own nuclear arsenal. In reality, the security calculus was a weak factor.

What operated as the driving force in Pakistan's retaliatory, tit-for-tat tests in May 1998 was a combination of the two factors, with security playing a much smaller role. Also at work were Indian leaders' remarks taunting and chiding Pakistan over Kashmir – in particular, Home Minister Lal Krishna Advani's admonition that the "geostrategic" situation had changed decisively in India's favour following the May 11-13 tests, in deference to which Pakistan must abandon its sponsorship of the armed separatist militancy in Kashmir.

Barely a fortnight later, Pakistan conducted a series of six nuclear explosions – to "get even" with India's five blasts in the same month, in addition to the explosion detonated 24 years earlier.

Soon after their tests, India and Pakistan declared a moratorium on further testing. But the crossing of the nuclear threshold was attended in both countries by an outbreak of jingoistic hysteria and exchange of hostile rhetoric. Hindu-chauvinist militants in India and *jehadi* Islamists in Pakistan celebrated their nations' new nuclear status as the triumph of religion-political agendas.

## **Calls for Responsibility: Civil Society Movements and the International Community**

At the same time, protests broke out in both countries against the tests. Civil society organisations and people's movements took the lead in demanding that the two states dismantle their nuclear weapons and negotiate regional nuclear disarmament. The Left parties and progressive intellectuals soon joined this campaign.

The peace and nuclear disarmament movement ignited by the tests crystallised in India in 2000 in the Coalition for Nuclear Disarmament and Peace, in which 250 civil society groups came together. In Pakistan, it evolved into the Pakistan Peace Coalition. The two coalitions have worked closely together over the past decade and developed a joint critique of nuclearisation, while demanding that India and Pakistan return to the regional and global nuclear disarmament agendas.

The United Nations Security Council unanimously and strongly condemned the Indian and Pakistani tests, and asked the two states to roll back their nuclear weapons programmes and sign the NPT as non-nuclear weapons-states, and imposed economic and technology transfer sanctions on them. These hurt Pakistan severely, coming on top of large-scale withdrawals of foreign currency deposits by non-resident Pakistanis. The effect on India was far less grave. At the same time, the major powers, especially the US and the UK, mounted great pressure on the two governments to tone down the rhetoric of nuclear hostility and negotiate an agreement for confidence-building and cooperation.

### **From Bilateral Agreement to Nuclear Threats**

A summit meeting took place between Prime Ministers Vajpayee and Nawaz Sharif in Lahore in February 1999 largely as a result of external pressure and the keenness of some sections of the two establishments to indicate “moderation” and responsibility” and to allay global fears that a conflict was about to break out as a result of the heightened rhetoric of hostility. The two countries’ leaders were eager to show that they could be trusted to behave as “responsibly” as the leaders of the five regional nuclear weapons-states, in particular the United States and the Soviet Union during the Cold War.

This summit famously led to the launching of a bus service between Lahore and Delhi – for the first time since Independence. The two Prime Ministers issued a formal Declaration which committed them to promoting “an environment of peace and security”. The central nuclear-related relevance of the Lahore Declaration was that far from restraining further nuclear systems preparation by either country, it effectively legitimised the continued building of such weapons systems by both countries, under the guise of limited confidence-building measures – namely, prior notification of planned missile tests by either country.

They also agreed “to undertake to notify each other immediately in the event of any accidental, unauthorised or unexplained incident that could create the risk of a fallout with adverse consequences for both sides, or an outbreak of a nuclear war”. They also agreed “to continue to abide by their respective unilateral moratorium on conducting further nuclear test explosions”, but with a proviso – “unless either side, in exercise of its national sovereignty decides that extraordinary events have jeopardised its supreme interests”.

Three months later, armed clashes broke out between India and Pakistan along the Line of Control, as the disputed border is called, at Kargil in Kashmir,

when Pakistan infiltrated paramilitary forces and its own regular troops disguised as sub-state militias across the border. India tried to repulse the infiltrators militarily. This led to a seven weeks-long mid-sized war, with numerous pitched battles.

Pakistan's generals embarked on the Kargil misadventure in the belief that nuclear weapons would shield them against Indian retaliation. More than 40,000 troops were engaged by the two sides in the war that ensued, along with top-of-the-line weaponry, including laser-guided missiles fired from fighter aircraft. Kargil, which claimed at least 2,500 casualties, is the world's *greatest-ever* conventional conflict between two nuclear-weapons states. The most dangerous conventional conflict during the Cold War, and until the late-1990s – namely, the limited Sino-Soviet clashes of the 1970s over the Ussuri river – pales in comparison with Kargil.

During the conflict, India and Pakistan exchanged nuclear threats *no fewer than 13 times*. According to former senior White House adviser Bruce Riedel, US intelligence had gathered “disturbing information about Pakistan preparing its nuclear arsenal” without even the knowledge of Prime Minister Sharif. It is inconceivable India did not make contingency plans for the *use* of nuclear weapons as the two “were heading for a deadly descent into full-scale conflict, with a danger of nuclear cataclysm”.

Kargil might have had a far worse outcome had Sharif not asked for US mediation, which led to Pakistan's unconditional withdrawal from the Line of Control, but also to a huge escalation of tension between Sharif and his army chief General Pervez Musharraf – and eventually, an army coup, from whose debilitating effects on the process of democratisation in Pakistan is just beginning to recover following Musharraf's departure as President.

Kargil provides the most powerful practical refutation of the theory of nuclear deterrence, which maintains that nuclear weapons-states do not fight even conventional wars with one another: that is how nuclear weapons ensure security and strategic stability.

Yet, Kargil set an extremely dangerous precedent, which was to be repeated. The potential for escalation of an India-Pakistan conventional conflict to the nuclear level again became evident after a terrorist attack in December 2001 on India's Parliament House. India and Pakistan eyeballed each other with *one million* troops for 10 months, and India contemplated a “limited” strike across the Line of Control.

Pakistan made credible threats that limited strikes would lead to full-scale war, and warned of its further escalation to the nuclear level. The two states twice came close to the brink of a nuclear catastrophe, in early and mid-2002, as they readied nuclear weapons for use – a prospect almost too frightening even to imagine, but one that cannot be firmly ruled out given the history of mutual strategic hostility and miscalculation. Once conflicts begin, they acquire their own momentum, and the logic of retaliation and counter-retaliation prevails over normal, rational judgment.

India-Pakistan relations have been on a roller-coaster ever since the nuclear threshold was crossed. They have made three major attempts at normalising and improving relations over the past 12 years. But these have produced indifferent and uncertain results.

## **Nuclear Weapons, International Politics, and Security Myths**

Today, the Indian subcontinent has become a part of the most volatile region of the world, stretching from West Asia through Southwest and Central Asia to South Asia and parts of Southeast Asia. It is the crucible or cauldron in which many contradictions have come together to produce a combustible and toxic mix. India and Pakistan are in a more uncertain, tension-ridden and unstable situation than they were before 1998. Nuclear weapons systems are simply a dangerous, new presence subject to the unpredictable buffetings created by increased political volatility and instability.

Volatility in South Asia has been recently aggravated by the US actions and policies towards Afghanistan, Pakistan, Palestine, Iraq, Iran and much of the Arab world, policies whose injustices have not been acknowledged nor introspected upon by the US administration. These are adding to the sense of alienation and beleaguement experienced by millions of Muslims thanks to the Islamophobic framework within which many Western policy-makers understand terrorism and counterterrorism. A civil war-type situation in Pakistan is not beyond the bounds of possibility. There is something of a powder-keg quality to the situation prevailing in South Asia.

Where do India and Pakistan stand today in their nuclear weapons status? Briefly put, both have nuclear warheads and delivery vehicles to deliver bombs that can pulverise entire cities. Millions of their civilians are vulnerable to nuclear attacks against which there is, can be, no defence.

India's officially declared policy is comprised of three basic and general commitments. India will develop and maintain a "credible minimum deterrent". However, there is a categorical refusal to quantify what this "minimum" would mean because this must be seen as a "dynamic" and "flexible" level able to cope with future changes in the country's "security environment". Thus the "minimum" posture is to be taken as a vague, general, assurance of "moderation" and "responsibility" in India's future nuclear behaviour but with no "corollary" conditions imposed on India.

India claims it successfully tested a hydrogen or thermonuclear bomb in 1998 and can induct such weapons into its arsenal. Independent analysts, including many in India's nuclear and defence establishments, question the claim and say the 1998 test was a dud and another hydrogen bomb test must be conducted before India considers signing the CTBT if and when it is put on the global agenda again, facilitated by President Obama's pledge to that effect.

India has made a formal "no-first-use" declaration: that is, India will not be the first to use nuclear weapons against another nuclear weapons-state and



forswears any use ever against a non-nuclear weapons-state (NNWS) except those allied to a nuclear weapons-state.

India will tend to adopt a largely symbolic and tokenist position on discrete issues to appear “moderate” and “reasonable”; and will claim to avoid following the trajectory of the other NWSs and getting drawn into a nuclear arms race. On substantive nuclear restraint measures on the global agenda, however, India has somewhat ambivalent and conditional positions, linked to its larger ambitions and relations with the major powers. India will be reluctant to accept real and immediate constraints on its nuclear capabilities.

Pakistan, for its part, refuses to make a no-first-use commitment. It reserves the right to use nuclear weapons against India in case of a grave threat to the Pakistani state even in the form of a conventional war which might lead to a loss of territory. Pakistan is also pursuing a broad range of options and is believed to have a more developed and reliable short- and medium-range missiles programme than India's. Pakistan however is not credited with a hydrogen bomb capability, or a high likelihood of developing one in the very near future. Both states are stockpiling weapons-grade nuclear fuel by building new facilities.

## **US-India Nuclear Cooperation**

India has succeeded in getting its nuclear weapons legitimised and normalised through the US-India nuclear cooperation deal initialled in 2005 and formally approved since by the International Atomic Energy Agency, the 45-nation Nuclear Suppliers' Group, the US Congress and various states, including the UK, France and Russia. This means that India legally can import uranium, nuclear reactors and equipment or components, even though it has not signed the NPT or any other nuclear restraint agreement, *and* possesses nuclear weapons.

Under the civil-military separation plan agreed with the US, India need not even subject all its 22 operating or planned power reactors to international inspections. Only 14 of these will be under safeguards. India can make enough plutonium for 40 Nagasaki bombs a year from the remaining eight reactors with indigenous uranium.

The US-India nuclear deal has produced tremendous resentment not just in Islamabad, but also in Beijing, which clandestinely worked against its passage through the International Atomic Energy Agency, but dropped its opposition in the face of pervasive support for India. This will have negative implications in any military competition in Asia, especially one involving nuclear weapons. Indeed, two arms races have already begun in the Asian continent: one, between Pakistan and India, and the other, between India and China.

## **Rivals in Arms**

The second arms race is taking on the form of an incipient space-based rivalry as well. China feels insecure and threatened by the Star Wars-style ballistic missile



defence (BMD) programme of the US. It is also alarmed at the limited but growing cooperation between the US, India and Israel in the missile defence field. China recently demonstrated the capability to shoot down a space-based satellite and is reported to be working on space-based weapons. India too is reported to be planning space-based military weapons. This competition between the two Asian giants could dangerously destabilise the regional security balance.

As for India-Pakistan rivalry and military competition, it retains all its volatility and potential for rapid escalation from hostile rhetoric to threats backed by armed preparations, and from periodic shelling across the border to tit-for-tat missile test-flights. A particularly worrisome new dimension of the rivalry is the Cold War-style pattern of mutual stalking in Afghanistan, in which India and Pakistan try to undermine each other.

India and Pakistan are greatly disaster-prone, have a poor safety culture, and low diligence in hazard management. Neither will have half-way reliable weapon command and control systems for many years. Even with an expenditure of some US\$ 900 billion during the Cold War, the superpowers failed to achieve freedom from high accident risks or false alarms. The danger of an unintended or accidental nuclear attack is considerably higher in the subcontinent than at any time during the Cold War after the 1962 Cuban missile crisis. If nuclear weapons are inducted into the armed forces, the chances of their actual use will become finite. Even a low probability of such use is unacceptable.

The acquisition of nuclear weapons has had a profoundly unhealthy impact on Indian and Pakistani societies as well as on the regional security environment. Domestically, nuclear weapons have strengthened the forces of jingoistic nationalism and militarism, even as they have led to a sharp increase in military spending – with India tripling it, and Pakistan very nearly matching India.

## **The Social and Economic Costs**

The fond hope that nuclear weapons would help limit conventional military spending stands shattered. The two states are raising their spending on both conventional and nuclear-related armaments. India has emerged as one of the world's biggest arms importers and is both building and leasing nuclear-powered submarines – “the ultimate guarantee of a survivable second-strike capability”.

India's recent rapid economic growth should not be allowed to obscure the fact that rising military expenditure has extracted a high price – stagnation of social sector programmes, increasing food insecurity, continuing lack of provision of minimum needs to the people, including drinking water, healthcare, sanitation and electricity, and growing agrarian distress, which has led to the suicide of nearly 200,000 farmers in India between 1997-2008 – a horrifying record unmatched elsewhere.

Both India and Pakistan have slipped in their UN Human Development Index ranks in recent years. Between 2005 and 2007, India's rank plummeted shamefully

from 128 (of 174 countries) to 134 – despite record GDP growth. And Pakistan's rank slipped from 136 to 141.

The guns-vs-butter argument stands as potent as ever in the Indian subcontinent after nuclearisation. Nuclear weapons are an enormous digression from the priority to promote human security and social cohesion. This makes them even more morally unacceptable.

## **Military-Civil Balance and the Social Divide**

Nuclear weapons have also altered the military-civilian balance, particularly in Pakistan. The coup that brought General Musharraf to power in 1999 and set back democratisation decisively was clearly related to this shift. Elected civilian leaders in Pakistan have no access to the country's nuclear-military facilities. Recently, President Zardari handed over the reins of the Nuclear Command Authority to Prime Minister Yousuf Raza Gilani. But it is hard to believe that the Army, which has jealously guarded its monopoly over the nuclear weapons programme, will cede any real control to civilian authorities.

Equally deleterious is the social-psychological impact of nuclearisation, which has privileged the macho, aggressive discourse of “national security” and totally marginalised the crucial moral issue, while sanctifying mass destruction and accepting it as a precondition for security. The moral question was taken up passionately by the peace movement which gathered soon after the 1998 tests among scientists, writers, scholars, artistes, environmentalists and social activists. Although fledgling, it powerfully challenged the political and security assumptions of the dominant discourse, including nuclear deterrence.

The movement's views have found a resonance with the underprivileged masses who, opinion polls show, oppose the manufacture or use of nuclear weapons, do not invest them with prestige, and accord priority to bread-and-butter issues.

The nuclearisation of South Asia thus witnessed a clear split between the policy-shaping elite led by cynical strategic experts, and the poor disadvantaged majority, who want state funds to be spent on healthcare, education, food security and employment generation, not the military. The elite-mass divide has sharpened, in keeping with the general experience of India's poor with increasingly predatory and dispossessing growth under neoliberal globalisation. The elite's moral apathy towards the people and its growing distance from them does not bode well for the future of India and Pakistan.

## **Arguments against Nuclear Armament – The Stance of the South Asian Peace Movement**

In retrospect, the South Asian peace movement has proved right on most counts. Not just the moral, but also the political-strategic, arguments of the movement stand fully vindicated.

Today, 12 years after the nuclear Rubicon was crossed, four major trends are discernible in South Asia. First, most justifications and rationalisations advanced by the Bomb's apologists have turned out to be false. They confidently predicted that nuclear weapons would give India and Pakistan security, impart stability and maturity to their mutual relations and induce maturity among their leaders. In keeping with the theory of nuclear deterrence, nuclear weapons would reliably pre-empt conventional war.

In reality, nuclearisation has made South Asia manifestly more volatile and insecure. Neither Indian nor Pakistani leaders have shown sobriety or maturity. They have instead tended to be irresponsible and inflammatory in their rhetoric than before. India-Pakistan relations have been through many upswings and downswings. But millions of Indians and Pakistanis remain within the range of missiles of different descriptions but capable of carrying nuclear weapons which concentrate devastating destructive power against which armies, governments and citizens are defenceless.

India and Pakistan have made some laudable attempts at confidence- and peace-building. But so long as they make that effort while keeping their foot pressed firmly on the nuclear and missile pedals, the peace cannot be stable or durable.

Second, the presumption, based on the doctrine of nuclear deterrence, that nuclear weapons give security, stands falsified. Deterrence – which India for 50 years rightly described as “morally repugnant”, strategically unworkable, and a recipe for an arms race – is a deeply flawed doctrine. As game theory analysis and the global experience with military standoffs (e.g. the Cuban missile crisis of 1962) show, it is hard to predict how an adversary may behave following a rational calculus and therefore be successfully deterred from launching a nuclear attack – although there is no guarantee that he will behave rationally.

Deterrence is based on unrealistic assumptions: such as the adversaries' perfect knowledge about each other's capabilities and nuclear doctrines, unfailingly rational cool-headed behaviour under the most trying conditions, and total impossibility of accidents and unauthorised use of nuclear weapons. The real world is far messier, with inadequate knowledge of capacities and doctrines, panic-prone generals and politicians, and a high probability of accidents in complex, precariously balanced systems.

Game theory shows that it is hard to predict how an adversary will behave even under ideal-rational conditions. Thomas Schelling, who won the economics Nobel in 2005, has shown that “a party can strengthen its position by overtly worsening its own options, that the capability to retaliate can be more useful than the ability to resist an attack, and that uncertain retaliation is more credible and more efficient than certain retaliation.” Certain, devastating retaliation is at the core of deterrence – and the nuclear doctrines of both India and Pakistan.

Third, contrary to their supporters' claims, nuclear weapons have not bestowed global prestige on India or Pakistan or expanded their influence or room for independent manoeuvre in world affairs. India's global profile has

certainly risen in recent years. But that is largely the effect of India's successful practice of democracy in a highly diverse and plural society, and more recently, its growing economic power.

Another factor is India's now-rapidly eroding past legacy as a force for moderation and for reform of global governance and a leader of the Non-Aligned Movement. India was known for foreign policy independence which many Third World countries respect. If nuclear weapons enhance a nation's prestige, one would have seen proof this in Pakistan and North Korea. But nuclear Pakistan was widely considered a failing state at least until late 2001, and is seen as one by many even today. And North Korea commands nothing approaching prestige.

Finally, a fourth disturbing trend is the total retreat of the Indian Establishment from the agendas of nuclear restraint, arms reduction and disarmament, in which India historically played an important and active role. This has major long-term consequences. The Indian elite's topmost priority has been to secure legitimacy for India's mass-destruction weapons. Behaving like a "responsible" member of the nuclear club means not rocking the boat, but going along with its members, including Washington's plans for upgrading its nuclear weapons, finding new uses for them, launching the unilateral Proliferation Security Initiative to intercept "suspect" shipments, and proceeding with ballistic missile defence (BMD).

## **The Nuclear Abyss: Lessons to Learn**

The Indian government pays lip service to the cause of a nuclear weapons-free world. But it has done nothing to promote it and has only had a tepid response to various initiatives and proposals for nuclear arms reduction and disarmament.

As if in recompense for this, some Indian strategists offer a "moderate-sounding" agenda, in contrast to the maximalist one of testing another H-Bomb and greatly expanding India's nuclear and missile programmes. This includes sticking to "minimum" deterrence and no-first-use, limiting India's capability to threaten some of China's "key industrial and population centres", and negotiating limited nuclear confidence-building measures with Pakistan. This deceptive agenda does not involve stepping back from the nuclear abyss, only not jumping headlong into it. It does not meet the urgent need to grasp the nuclear nettle by energetically promoting regional nuclear restraint and global nuclear weapons elimination.

A good way of promoting these would be to update the thoughtful Rajiv Gandhi Plan for global nuclear disarmament, presented to the Special Session of the UN General Assembly in 1988. But promoting this credibly will also demand some unilateral gestures by India – like offering to suspend missile test-flights or fissile material production – while convening an international conference on disarmament jointly with other initiatives like the Mayors for Peace campaign, the "2020 Vision campaign", Abolition-2000, and advocating a Nuclear Weapons

(Elimination) Convention. It is far from clear that India's leaders can summon up the will to do this.

India and Pakistan hold strongly negative lessons for the rest of the world on how nuclear weapons play a destabilising and dangerous role in the post-Cold War period – just as they did during the Cold War. The Middle East's governments and peoples would do well to pay heed to these lessons. It is true that the region's security environment is extremely unbalanced and has been further vitiated thanks to Israel's nuclear weapons programme. But creating a regional nuclear adversary to Israel could actually lead to even greater instability and imbalance.

That is exactly what happened in South Asia when Pakistan tried to restore what it claimed was strategic symmetry or parity with India by acquiring nuclear weapons. The results, as the peace movement of the subcontinent has passionately argued, were disastrous for the 1.2 billion people who live in this troubled and turbulent region. One can only hope that the West Asia – North Africa region does not get sucked into the nuclear vortex like South Asia did.

# Arab Civil Society and the Rise of New International Solidarity Movements

The concept of ‘global civil society’ has been developed and expanded over the last two decades. During this period, issues of development, governance, and democratization have increasingly taken on a global dimension. The emergence of global civil society has become increasingly seen as a crucial requirement in democratizing global governance. In addition, attaining global democratic governance has been identified as one of the main objectives of global civil society, as well as an ongoing struggle for it. Studies which aim to draw light upon institutional versus extra-institutional dynamics in global governance have revealed the influence of social movements and global civil society on the formulation of international law.<sup>1</sup>

At the same time, the emergence of “civil society” as a concept, has been associated with the expansion of democratic spaces and practices at the national level, both in established democracies, and restored and newly democratized societies – in particular in Eastern Europe and Latin America. The concept of ‘global civil society’ has also been linked to the processes of economic globalization as well as the institutions, legislations, and transnational business bodies established in its course.<sup>2</sup> Accordingly, global civil society has come to be referred to as “an increasingly powerful check on states and corporations...trends that are likely to accelerate over the next few years”.<sup>3</sup>

Influenced by the variety of aforementioned factors, civil society organizations (CSOs) from various backgrounds and strategic visions have often come together on international platforms to address issues that raise common concerns. Trends within the internationalization of civil society evolved as achieving objectives

- 1 See Balakrishnan Rajagopal, *International Law from Below. Development, Social Movements, and Third World Resistance*, Cambridge: Cambridge University Press, 2003.
- 2 Ziad Abdel Samad, and Kinda Mohamadieh, “The Arab NGO Network for Development. A Case Study on Interaction between Emerging Regional Networking and Global Civil Society”. In: James Walker and Andrew Thompson (eds.), *Critical Mass. The Emergence of Global Civil Society*, Waterloo: Wilfried Laurier University Press, 2008.
- 3 Walden Bello, “The virtues of deglobalization and lessons for South Korea”, [http://english.hani.co.kr/arti/english\\_edition/e\\_opinion/381828.html](http://english.hani.co.kr/arti/english_edition/e_opinion/381828.html), 2009 (accessed 18 July 2010).

of change at both national and regional levels increasingly became a necessity. Thus, there was a common interest for groups to collaborate and come together in order to create additional space for intervention and advocacy at the international level. The resulting synergies of these communal efforts have allowed the emergence of identifiable and potentially permanent trends within ‘global civil society’ to emerge. Attempts to understand these phenomena are increasingly relying on network analysis in order to conceptualize how global civil society constitutes itself, and how to connect diverse actors to achieve a trans-national outreach and presence.<sup>4</sup>

Accordingly, the engagement of civil society groups from the Arab region with the dynamics of global civil society can be understood partly through examining the networking capacities that these groups have managed within their national and regional spaces, as well as in cross-regional and global forums. Moreover, one needs to consider the status of common interests that would allow civil society groups in the Arab region to invest more effort at the international level, and as active actors within the phenomena of ‘global civil society’. Such interests would also influence the interventions of global movements and campaigns in the Arab region.

This paper will seek to discuss factors impacting the engagement of CSOs from the Arab region with global civil society dynamics. It will address the role of global powers and emerging powerful country actors in the region, and the implications of their interventions on civil society. Furthermore, the paper will discuss the possibilities for the emergence of counterparts in these countries for civil society groups from the Arab region, resulting in potential solidarity and cooperation.

## **Observations from Civil Society Dynamics around the Global Economic and Climate Crisis**

The global economic and climate crises have constituted powerful examples of challenges that can only be tackled on a global scale. The related policy processes presented global civil society with new spaces to foster interaction and synergies, and further elaborate its role and engagement with global policy processes. Movements working for economic justice, social solidarity and sustainable development seized the opportunity to create platforms for action and cooperation, and to expand their role and their capacity to push for change.

In this context, one can observe the dynamics between civil society groups and governments in relation to global policy positioning and advocacy. Regarding both the economic crisis and the climate crisis, civil society groups often align their advocacy stances in close consideration of governmental positions. Given that these policy issues are often divided along the lines of North vs. South as well

4 Helmut Anheier and Hagai Katz, “Network Approaches to Global Civil Society”. In: London School of Economics, *Records of Global Civil Society* 4, 2004, pp. 206-220.



as developing vs. developed countries, civil society groups often find themselves strategically in a position that requires them to support one side versus the other. This could potentially have adverse effects on solidarity and cooperation among civil society groups from both sides. While some groups adopt and promote positions close to those of the governments of developing countries, others try to employ the positions of governments that are seen as strong enough to achieve a deal regarding the issue under negotiations. Groups following the economic crisis were divided, between those who believed in the added value of promoting the positions of developing countries within the UN process, and others who were of the opinion that it would be more worthwhile to engage with the G20<sup>5</sup> policy forums. In the latter case, the role of countries that are considered major powers on the global policy scene and thus capable to achieve the needed changes, were monitored and promoted.

Defending a government position for strategic purposes in global negotiations and policy making can be seen as problematic for certain civil society groups from the Arab region. Those often find themselves in a struggle against state policies and their repressive tendencies at the national level. Accordingly, this can represent a defining factor with regards to the ability and willingness of CSOs from the Arab region in undertaking active participation in such campaigns.

### **Civil Society in the Arab Region: National Agendas, Emerging Regional Networking, and Global Civil Society**

Understanding the context within which CSOs operate in the Arab region helps us to understand their characteristics, structures, and institutional formation. In addition, it could clarify the conditions of their participation in processes of international networking, and the nature of the links they build with international civil society networks as well as engagements they undertake with structures of global governance.<sup>6</sup>

Among several challenges and obstacles, CSOs in the Arab region face authoritarian state structures, which actively interfere to restrict the spaces available for the mobilization of civic activities. Consequently, these conditions impede the development of effective CSOs. Among various groups, the ones

5 The Group of Twenty (G-20) Finance Ministers and Central Bank Governors was established in 1999 in the wake of the 1997 Asian Financial Crisis, to bring together major advanced and emerging economies to stabilize the global financial market. Since its inception, the G20 has held annual Finance Ministers and Central Bank Governors' Meetings. To tackle the financial and economic crisis that spread across the globe in 2008, the G20 members were called upon to further strengthen international cooperation. Accordingly, the G20 Summits have been held in Washington in 2008, and in London and Pittsburgh in 2009. Website: <http://www.g20.org/>

6 Ziad Abdel Samad, and Kinda Mohamadieh, "The Arab NGO Network for Development; Case Study of the Interaction between Emerging Regional Networking and Global Civil Society".

involved in advocacy for rights-based policy change face the highest obstacles compared to other groups, including charities, philanthropy groups, and service providers. Although the latter work under strict control of public authorities, they are perceived to be the 'benign adversary', which contribute to providing various communities with social needs. Such services help to alleviate some political pressures imposed on the ruling regimes. Restrictions imposed on advocacy organizations limit their ability to operate and to build their capacities and experiences. Much of their energy and resources are often exhausted in defending their right to association and protecting their members from the violations of their rights.

Conditions described above can be associated with the lack of proper understanding of the concept and functionality of 'civil society'. Indeed, governments often perceive CSOs as foreign entities and constructs and relate their role and campaigns to foreign interference. This is inter-related with the high level of dependency of civil society groups on foreign financial support, which creates channels through which CSOs may be influenced by donor agendas. Mobilizing local resources in support of CSOs is very limited, given that the prevailing culture of donations in the Arab region is dominated by the culture of mostly religiously based charity. Moreover, questionable practices by some civil society groups contribute to this distorted reality. It can be noted that some CSOs actually present a negative model, especially in relation to internal governance, institutional structures and management, and political dependency and influence by donors.

Overall, one can observe that several of the existing regimes in the Arab countries do not allow CSOs to exist independently. This situation weakens their role and their ability to participate, to monitor, to advocate, and to lobby for or against national policies. For example, international relations, specifically with international organizations, are perceived by many of the ruling regimes in the Arab region as linked to their security. Accordingly, they prefer to keep engagement with such global multilateral institutions limited to the public and pro-governmental institutions.

This situation varies from one country to another. While in the majority of countries, where existing legal frameworks are implemented, restrictions are imposed on the freedom and rights of association. Indeed, only a few countries in the Arab region enjoy relatively liberal legal frameworks. Even in some of these latter cases, the implementation of the legal framework could still be interrupted by practical distortions and in some cases by the imposition of martial laws.

In addition, tight control of the media by the state and through the financial influence of private businesses, still characterize many Arab States. This situation contributes to depriving CSOs of the ability to build effective added-value relations with media groups. It also restricts the space needed for mobilization around domestic and global causes. Even where this is possible to some extent, top-down heavy state bureaucracies and restrictive governance practices cast

serious doubts on the ability of advocacy efforts to influence and help shape public policies.

Furthermore, the region has witnessed consistent threats to security and numerous eruptions of conflicts, including the constant Israeli occupation and violation of the rights of the Palestinian people. This situation has kept the security and peace concerns, including the humanitarian aid dimension, at the top of civil society's agenda. Often, this has the effect of diverting their priorities away from political, economic, and social concerns.

Accordingly, CSOs in the Arab region often find themselves overwhelmed by domestic and local agendas, limiting their interest and capacities to participate in regional and global activities. In theory, linking up with global channels of mobilization and international solidarity movements may create alternative channels of influence that could impact national governments. Yet, CSOs in the Arab region have largely refrained from pursuing this avenue. This can partly be explained by the general lack of trust in global dynamics and systems. Indeed, communities in the region have mounting doubts with regards to the current international order, due to the abundance of double standards in the implementation of international laws and regulations.<sup>7</sup> CSOs often see no room for or potential in investing towards effecting change to this system. They are also concerned about international laws and institutions reflecting unbalanced representation. Indeed, international governance institutions are often perceived to exploit international law as a tool for dominance and the reproduction of unequal power relations.

Global policies and policy-making have presented new spaces for civil society groups to work together more effectively at the global level. CSOs from the Arab region remain relatively absent or ineffective in these areas. All these factors, contribute to creating a missing link between civil society groups in the Arab region and others in developing as well as developed regions.

## **Networking and Networks in the Arab Region: An Emerging Regional Experience**

In addition to the barriers and/or opportunities that impede or promote regional networking, a closer look at networking mechanisms and network compositions in the Arab region can facilitate a deeper understanding of the participation and contribution of CSOs from the Arab region and how this affects global civil society dynamics. Indeed, before connecting to global civil society and its movements, did CSOs in the Arab region succeed in building common platforms at national and regional levels?

Regional networking has been one of the steps towards reinforcing civil society dynamics at the global level. Regional dynamics in turn have been re-enforced by the rise in regionalism and the role of regional blocks and institutions. The rise of blocks like the EU, ASEAN, MERCOSUR and the African Union

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7 Ibid.

have triggered responses and engagement by networks of civil society to the policy making processes at those levels. On the other hand, and despite the fact that regionalism has been a professed choice by Arab governments, civil society groups have not been active in networking and engaging with related regional policy processes. Indeed, regional networking has been significantly limited in the Arab region. According to a few studies and papers that have examined this aspect of civil society work in the region,<sup>8</sup> a multiplicity of factors can be cited in this context. Among them is the relative lack of a culture of common (cooperative) work, which is influenced by the problem of strong and repressive states that are dominant in the region. In addition, analysis relates the situation to the weakness of the conception of citizenship in many Arab countries. This is compounded by the limited relevance of the human rights culture among civil society groups in the Arab region. Within such a context, solidarity movements become complex, and more related to political and ideological dynamics and considerations, which are linked to nationalistic agendas and identities more than to human rights platforms.

Some studies further indicate that networking is hampered by the region's identity politics and specific political cultures of individual countries. This includes differences in the history and the contexts of civil society realities and frameworks among various Arab countries and conditions under which they operate. Thus, cultural barriers, identity politics, and political tensions often stand in the face of cross-cultural civil society dialogue and building of solidarity movements.

This observation can help explain the limited leadership role played by CSOs from the Arab region in the global anti-war movement. Two of the central issues upheld by the global anti-war movement; the Palestinian-Israeli conflict and the Iraqi occupation, are core struggles within the Arab region. These struggles have mobilized millions of individuals and organizations around the world. Yet, there has been limited involvement on the part of civil society groups emanating from the Arab region, particularly with regards to the building up of these movements and in sustaining their continuation and undertaking leadership roles. This can be related to the failure of groups in building synergies and common voices around these struggles, especially because they are often addressed through a politicized lens rather than a rights-based lens that could have succeeded to unite groups with different political outlooks.

Beyond that, a central reason for the weakness of regional networking lies in the weakness of the inter-governmental regional institutions, such as the League of Arab States (LAS), in promoting and enhancing regional cooperation. In fact, Arab countries' efforts on regional integration have been limited, including on the political and economic fronts. This is interlinked with the weakness of the LAS and other regional institutions and the hindrances facing the development of the

<sup>8</sup> Sara Hammoud, *Actors in the area of human rights in the Arab region: experiences and challenges*, report prepared for Ford Foundation, 2007, p. 17.

regional economic cooperation and integration project. On the military-security front, Arab countries have failed in discussing a treaty on common defense. Yet, the most advanced cooperation remains at the security level, where the coordination among the Ministers of Interior is the most advanced, with a focus on over-viewing and controlling people's mobility and association in the region.

This reality can be related to the weaknesses of the Arab nation-states themselves, as well as their diverse interests. It is reflected in the absence of transparent regional institutional structures and policy processes with which CSOs can engage. Indeed, the LAS has failed so far in effectively involving CSOs through its institutional structures, despite the creation of a commission to act as a liaison department with CSOs. The conception of CSOs' participation in the LAS processes has been limited to observer status, rather than consultative status as established in the United Nations system. Furthermore, the process of application for such observer status remains highly bureaucratic and biased, involving close control and checks on the kind of organizations applying and their scope of activities. One can notice from reviewing the lists of organizations that were entitled to observer status with the League so far that there is clear preference for non-advocacy organizations and groups that do not directly deal with policy issues. Hence, from a strategic point of view of many CSOs, acting regionally does not seem to offer added value, at a time when regional institutions have little, if any influence, on the local arenas.

Such weaknesses of regional networking, including the lack of clear visions and agendas on various issues, are reflected in weak participation and influence in global networks. In the cases where Arab groups do participate in global civil society mobilizations, they often do not influence these processes. Consequently, regional networking becomes a lost linkage between the national and the global levels of civil society engagements.

Yet still, quite a few observations indicate that the complexities that Arab groups face are not unique to the region. Insofar as these challenges are perceived as common to civil society's experiences in countries and regions of the Global South, they could possibly open spaces for common platforms and collaborative strategizing among groups from the Arab region and other Southern (developing) regions.

Besides these influential factors that are endogenous to the conditions in the Arab region, exogenous influences on the role of civil society groups and their participation in global dynamics is increasing. These factors include the pressures exerted by influential powers and emerging country-actors at the global scene, which are increasingly interested in the Arab region. This includes influences by the European Union (EU), the United States (US), as well as other, emerging powers. While these interventions surely leave an impact on the region, it is questionable whether it contributes to the emergence of real spaces for civil society, or if it leads to marginal spaces that distort rather than strengthen civil society's role. The next section of the paper will address this matter.

## The Role of Global Powers in the Arab Region: Implications for Civil Society's Spaces

The Arab region has attracted substantial interest and intervention by major and emerging foreign powers. Such involvement has been rooted in various kinds of interests, including expanding markets and promoting free trade, as well as securing easy access to and control over natural resources- mainly gas and oil. In addition, these interventions have been often driven by the need to promote specific anti-terrorism and security policies, such as the case with the US, as well as specific migration related policies, such as the case with the EU. The variety of approaches to engagement with the region and the issues of priority concern to each intervening party have dictated a differentiated impact on the role of civil society and the spaces available for CSOs to mobilize in the Arab region. The following paragraphs will discuss some of the features related to the role of the US, the EU, Russia, Iran, Turkey, China, and India in the Arab region, and its impact on civil society. This discussion seeks to reflect on three main questions, including: (1) whether these interventions have led to opening genuine and sustainable spaces for CSOs' mobilizations in the Arab region, (2) the extent to which CSOs from the region have engaged with official processes related to these interventions or whether they have been more cautious and less responsive, and (3) the extent to which new spaces have emerged for interaction with counterparts in the intervening countries.

**The United States'** policies have featured high interest in the geopolitics of the Arab region and its natural resources. This was reflected through repetitive political as well as military interventions- the latter being most evident since 1991. In 2004, the US launched the initiative for a Greater Middle East, linked to a forum that gathers policy makers from the US and the region, entitled the "Forum for the Future" (FfF). The FfF is a joint initiative of the countries of the broader Middle East and North Africa region<sup>9</sup> with the industrialized countries of the Group of Eight (G8).<sup>10</sup> This process was associated with the 2003 US military occupation of Iraq, which consequently limited its credibility. This intensive political initiative was widened to include the G8 countries under a process entitled the "Broader Middle East Initiative" (BMENA). While focusing on political dialogue related to democracy, modernization and reforms, elections, and participation, the US aligned these initiatives with an active economic process, reflected in the promotion of free trade policies and agreements in the region. However, the debate about the implications of free trade policies promoted in and adopted by developing countries in general and in the countries of the BMENA in specific, was and continues to be controversial. Indeed, the current economic and financial crisis exposed the need to rethink trade liberalization, to

<sup>9</sup> The Forum for the Future engaged the Middle East and North Africa countries plus Turkey, Afghanistan, Pakistan and Iran.

<sup>10</sup> The G8 includes Britain, Canada, France, Germany, Italy, Japan, Russia and the United States.



analyze its impact and to enhance the link between trade and development. This was proposed by the UN panel of eminent persons on financial and economic crisis chaired by Joseph Stiglitz.

The promotion of civil society's role was at the centre of declaratory speeches and presentations related to these initiatives, specifically due to European insistence. Funds for CSOs were re-allocated from the United States Agency for International Development (USAID) to the US Department of Foreign Affairs, reflecting the politicization of the support directed to civil society. Grants were allocated to civil society groups through the Middle East Partnership Initiative (MEPI), which was part of the overall initiative for a 'Greater Middle East'. In addition, pressure was heightened on regimes in the Arab region, such as the ruling parties in Egypt, Tunisia, and other countries, to expand the spaces and limit the restraints on civil society.

One might expect these interventions to result in positive implications as to the role of civil society. However, the result was the emergence of artificial spaces which the ruling regimes were able to afford; and which were not sustained after the political pressure from the US foreign policy subsided. In addition, such interventions led to the emergence of non-governmental groups whose agenda is highly linked to the funding agenda of the US initiatives. CSOs were increasingly cautious in building synergies and common work among each other as a result of the connections that many of them increasingly developed with the US foreign policy agenda. This situation contributed to weakening the fabrics of trust, common work, and networking among CSOs in the Arab region.

It is worth noting that the use of military power destroys the environment that CSOs function within, which is not limited to the legal framework, but also encompasses the political, economic, social, and cultural contexts in addition to the security situation. The US declared on several occasions its willingness to support and enhance "democracy and modernization" in the Arab region. However, hegemonic tendencies, militarization and the use of force inherently contradict the basic principles of democracy. They also obstruct the natural development and empowerment of local societies. Moreover, tensions created by militarized actions lead to increases in political and social fragmentation, which has detrimental effects on constructive participation in society.

The US military intervention in the region during 2003 and thereafter, provoked the local societies and equipped the ruling regimes with ample justification for undemocratic practices. This intervention and the continuous biased support for Israel are two of the main factors behind the failure of the US strategy in the region. Backing Israel in its strategy to evade obligations under international law makes the US assertions of universally valid principles of human rights and democracy ring hollow.

**The European Union** declared its strategy to engage countries of the Arab region through the Euro-Mediterranean partnership launched via the Barcelona process in 1995. This process engaged eight Arab countries, in addition to the Gulf countries through the ongoing negotiations with the Gulf Cooperation Council



(GCC). The Barcelona process integrated three tracks of interventions including the political, economic, and cultural. Fifteen years after its launch, the economic process remains the most energized and effective track. This involves the signing of trade liberalization agreements with the countries of the region, which so far failed to address development challenges that they faced. The other two tracks, and particularly the political one, have failed to reach significant results.

One can observe ample differences in the US approach towards the region compared to the EU approach, especially with regards to civil society empowerment and participation. The Euro-Mediterranean process emphasizes the role and the participation of CSOs through various mechanisms related to the partnership. Indeed, civil society groups mobilize around these mechanisms. Compared to the US interventions, these groups are less alienated or cautious about engaging with related governmental processes, such as the development of official indicative program documents and action plans. Indeed platforms of CSOs that monitor and address the partnership have been emerging in the region.

However, three main issues present major barriers for achieving genuine empowerment of civil society groups through the EU interventions in the region. First, the European States have, in several instances, prioritized economic interests and political relations with ruling regimes over the proper defense of democratic practices and respect of rights and spaces for civil society groups. Second, the Euro-Mediterranean partnership mechanisms have witnessed the proliferation of multiple frameworks and structures (from the Barcelona process to the European Neighborhood Policy and the Union for the Mediterranean) thus leading to a complexity of institutions and structures with which civil society groups find it hard to properly engage. In many areas, the partnership remains restricted to bilateral state relations while lacking genuine tri-partite or multi-partite frameworks.<sup>11</sup> Third, the financial flows in support of civil society groups in the region have remained relatively non-transparent; it is not open to be reviewed by the public, and the related agenda setting lacks participation by civil society groups from the region. Still, and despite these shortcomings, the EU-related processes in the Arab region have led to opportunities of cooperation and coalition building among civil society groups in the Arab region and their counterparts in the EU.

## More Players on the Arab Scene

Besides these 'established' international powers, other 'emerging' country-actors show the intention to enhance their role and possibilities of influence in the Arab region:

11 This section reflects on the outcomes of civil society deliberations about the engagement with the Euro-Mediterranean process undertaken at a workshop organized in Cairo by the Euro-Med NGO Platform, 31 October-1 November 2009.

**Russia** is recovering from the post-Soviet era. The new ‘Russian Empire’ that emerged under the presidency of Vladimir Putin appears intent on re-establishing its former global role. Russia joined the G8, and enjoys stable relations with the US. Yet, it balances this approach through sustained strong relations with anti-American regimes and movements around the world. As an example, one can note Russia’s agreement with Iran to support the latter’s nuclear efforts, in which Russia sought to use its involvement as a negotiating card with the global super-powers.

Within the context of enhancing its former political and economic global role, Russia looks towards re-establishing traditional relations with many developing countries, including Arab ones. This said, Russia has not shown signs of engaging in civil society support. Russia has recently restricted the emergence of Russian civil society by adopting a non-profit law allowing for ample control on the establishment of new organizations and exerting control on their activities and financial resources.<sup>12</sup> Thus, one can expect that the empowerment of civil society will not be an issue of concern for Russia through its increasing involvement in the region. On the contrary, Russia is expected to keenly restrict civil society voices as to its involvement in the region. Moreover, given the problematic conditions under which Russian civil society groups operate, one might expect that there will be limited space for the rise of solidarity connections and cooperation among civil society groups in the Arab region and their counterparts in Russia.

**Iran**, as an emerging nuclear power, demonstrates clear intentions towards building external relations in order to protect its interests within the neighboring region. In its pursuit to extend its role in the region, Iran focuses on using the ideological background of the Islamic Revolution, and its preparedness for struggle against the Israeli and Western occupations and their hegemonic role in Palestine, Iraq and Afghanistan.

During the period between the second gulf war (1991) and the invasion of Iraq by the US in 2003, Iran maintained a low profile while working on building the ideological and military foundations for a potential role in the whole region. Currently, it tries to exploit Arab sentiments supportive of ‘resistance against Israeli occupation’ in its attempts to thwart the rise of an Arab alliance against its nuclear program. Thus, it strengthens ties and alliances with repressive regimes in the region. It also extends ample support to local movements that mobilize around Islamist ideologies and whose work is enshrined in the Islamic identity. While this support is legitimate, it does result in an increasing influence of religious ideologies within the circles of civil society groups. Thus, it could lead to weakening common human rights based platforms, and to widening the gaps among the fabrics of civil society.

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<sup>12</sup> NGO Law Monitor- Russia; available at: <http://www.icnl.org/knowledge/ngolawmonitor/russia.htm> (accessed 17 August 2010)

Moreover, the responses of the Iranian government after the presidential elections in June 2009 showed the extent to which the current Iranian regime is ready and able to restrain democratic spaces and movements. Within a highly restrained context for civil society and social movements in Iran, one can expect minimal opportunities to enhance linkages between civil society groups in the Arab region and independent counterparts inside Iran. However, given the extent of similarities among the challenges that CSOs face in these societies, including repressive policies, lack of democratic practices, and violation of rights, one can expect increasing dialogue and cooperation among these groups on informal levels.

**Turkey** has been witnessing an evolving democratic process, which many be linked to its aim at joining the EU as a member. Turkey is also increasing its practice of “soft power” in the Arab region, the objectives of which are enlarging its political and economic influence in the Middle East.<sup>13</sup> Furthermore, in its quest to undertake an influential role in the region, Turkey seeks to present itself as a cultural bridge between the West and the East. Within this context, the Turkish ruling regime is expected to give ample importance to gaining the confidence of ruling regimes in the Arab region.

It is evident that the results of civil society’s activity in Turkey have improved over recent years. Yet, restrictions and challenges are still obvious. The obsession of considerable parts of the Turkish urban/middle class elites with a possible ‘Islamization’ of the country saps much energy and impedes alliances between two distinctly different sectors of civil society in Turkey, namely the secular one and the other with an Islamic outlook and affiliation.

Within this context, Turkey is likely to stand by the side of repressive regimes against challenges to their positions on freedom of association and human rights. Its influence with regards to democratization and widening spaces for civil society participation in the Arab region is expected to remain limited. However, one can expect the intensification of Turkey’s role in the region to affect a higher interest in common dialogue and debate among civil society circles in Turkey and the Arab countries. This is specifically significant in common areas of concern for both sides, such as the role of “Political Islam” and its relation with the state, the relations with Europe and the accession to the EU, and the overall rights agenda in the region.

**China’s** economic presence is increasing in the Arab region. At the same time, China emphasizes non-interference at the political level, and restricts relations to ‘friendship and partnership’ accords that are focused on economic interests. China’s economic presence is becoming increasingly important in many countries of the region, such as Sudan, Iraq, and the Gulf countries. Similar to the situation of Russia, CSOs in China face many challenges, which restrict

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13 Within this context, Turkey is using its moderate position to mediate between Iran and Iraq, Syria and other Gulf Countries in order to contribute to a certain degree of regional stability.

their ability to build partnerships and enhance civic engagements with groups in other regions. Indeed, the Association (Non-Profit) Law issued in China in 2006 is not being enforced; CSOs are often denied registration and face restrictions at financial and operative levels.

Thus, one could expect limited opportunities for enhanced solidarity and cooperation among civil society groups from the Arab region and China. However, with emerging questions and critique of the human rights and environmental records related to China's investments in many of the Arab countries, one can expect emerging civil society mobilizations around this issue. This could give rise to possible- although limited – cooperation with groups inside China itself.

**India** acts as a passive neighbor with no specific political interest in the Arab region. However, India as an emerging power in the global economy has interests in enhancing cooperation with countries of the region, especially in the financial and technology markets. Moreover, Indian experts, professionals and laborers currently undertake a significant role and influence in the Gulf markets. Besides the economic interests, India faces the challenge of rising role by Islamist movements, leading to complicated local dynamics. The border conflicts between India and Pakistan often necessitates political rapprochement and coordination with Arab countries.

India is one of the biggest democracies in the world. Civil society in India is highly active and plays an important role in policy making and public political awareness. This reflects potential opportunities for enhanced cooperation and partnership with CSOs from the Arab region. Rights of migrants' workers could present a specific area of common cooperation among CSOs from both fronts, given the abundance of violations of Indian workers' rights in the region and the rising awareness around that matter.

### **Between Hegemonic Interests and Agendas for Democracy and Reform: Is There a Space for Civil Society?**

Within the context laid out above, one can observe that the implications of the enhanced interests and interventions of major global powers and other emerging ones in the region are mixed. While major powers like the US and the EU have clearly declared their positions towards involvement in support of civil society's role and empowerment, emerging powers involved in the Arab region have not undertaken such positions.

The latter's objectives and modalities of intervention in the Arab region do not consider any effective role or potential participation for CSOs. The relations they seek with the Arab region do not aim at political, democratic, or developmental reform. Their top priority remains focused on improving their own standing at the global level, which requires strong political relations with certain Arab countries. Emerging powers do not target civil society through financial or other kinds of support. They prefer to deal directly with governments. Iran in this case can be considered as an exception, whereby it provides financial and

military assistance to groups with Islamist ideological orientation in several Arab countries. Nevertheless, this kind of foreign support to non-state actors aims at reinforcing Iranian negotiating capacities with the “West” and creates more tension in the region.

Obviously, since CSOs in Russia, China, Iran and Turkey are mostly seen with suspicion by their respective regimes, those regimes are unlikely to apply different standards in their foreign policies. Furthermore, encouraging cooperation and partnerships among local civil society groups and those in Arab countries may actually work against their immediate interests. The exception in this regard might be India, where the regime is more democratic and leads liberal relations with Indian CSOs.

On the other hand, ‘established powers’ in the region, such as the EU and the US, tend to actively promote the creation and expansion of space for CSOs, and to dedicate special funding for these ends. Much of this funding is linked to the promotion of their own political agendas, improving their image that could be tarnished by military and political interference in the local political contexts. They also seek to alleviate the negative effects of the economic and trade policies they promote with Arab countries. While such contributions might create short-term spaces that allow for increased dialogue and enhanced common understandings, they often end up only promoting CSOs whose role is compatible to their agendas and priorities. In many cases, CSOs in the donor countries become tools to promote their governments’ foreign policies, which is not necessarily in line with the recipient countries’ objectives.

Accordingly, one can note that the basis of such engagements have been linked to politicized agendas, with short-term goals. It thus does not have the potential to lead towards sustainable opportunities for civil society in the Arab region. On the contrary, it often leads to distorting the accumulation of experiences and development of visions, building of synergies, and ownership of mobilization spaces, which is core to achieving an effective civil society role that can lead towards real change.

## **Potential Solidarity and Cooperation among Civil Society Groups on Both Fronts**

Civil society groups within the Arab region and those in emerging powerful countries that are increasingly intervening in the region seem to have ample interest in enhancing cooperation and solidarity. To a significant extent they face similar challenges, repression, and restrictions at the national levels. Thus, it is important that groups address the potential for regionalizing the challenges, through building thematic cross-regional or cross-country collaborations.

Indeed, the experience of an emerging global civil society and the creation of structures of institutionalized cooperation among CSOs have helped in enhancing their ties. Accordingly, it strengthened their capacity to face common challenges and achieve common interests. It is worth noting that over the last

two decades, many thematic global networks targeting social, economic, and environmental issues were established. Many others were created as solidarity groups such as the pro-Palestinian movement across the world. The antiwar movement, which emerged out of the World Social Forum, was able to mobilize tens of millions of people protesting against the militarization of globalization and the occupation of Iraq.

Such cooperation and solidarity connections are more realistic among groups from the Arab region with counterparts from closer 'emerging powers', such as Turkey, India and Iran. In the longer term, common interests may bring closer ties with counterparts in other countries, such as China and Russia.

## Concluding Remarks

CSOs in the Arab region face multiple challenges that limit their capacity development, synergy building, and effective participation within global civil society dynamics. This paper has attempted to outline some of these factors and highlight any new potential solidarity and cooperation with civil society groups from countries of major interests in the region.

Among the challenges that civil society groups face in the Arab region are the complicated political reality, the multi-faceted conflicts in the region, and the lack of security and stability. In addition, one can add the centralized and autocratic nature of most states, the restrictive legal framework, underdevelopment, and primordial cultural ties as major challenges. Yet, several factors indicate that there is potential for change in the context that civil society groups operate within in the Arab region.

The reform momentum in the Arab region, while being confronted with many obstacles, remains a core and important dynamic to consider. In the longer run, it is expected to lead to wider margins of mobilization and role development for CSOs.<sup>14</sup> In this regards, the 2003 summit of the Arab League in Tunisia issued a declaration focusing on the need to introduce political, economic, social and cultural reforms, and explicitly mentioned the role of civil society in the process. Furthermore, rapid change in the economic policies along with rapid urbanization and population increases give rise to the need for civil society's complementary role that it can provide governments with. It necessitates moving beyond the prevailing traditional patterns of service provision and group solidarity among CSOs, and towards increasing their role in advocacy and policy shaping. It requires as well developing comprehensive, effective policies and alternatives to respond to social and economic needs. Together with the expansion of higher education, and the rapid expansion of communication technologies across the Arab region, this context promises to enhance the potential of more efficiently organized, rights-oriented movements. A much wider social capital

<sup>14</sup> See <http://www.bibalex.org/ARF/ar/Activities/Archive.html> (Arabic, accessed 17 August 2010).

and larger pool of highly qualified and committed activists are expected to be the fuel of such movements. Such a context clears more space for further sharing and benefiting from CSOs' experiences across the region and with counterparts, solidarity groups, and progressive social movements in countries seeking more interests and interventions in the Arab region.



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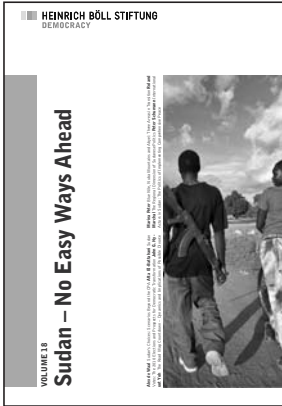
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NEW

## Sudan – No Easy Ways Ahead

As the six-year transitional period defined in the Comprehensive Peace Agreement draws to a close, Sudan is sliding into another crisis. The agreement has largely failed to realise democratic transformation and to make the unity of the country attractive. Political tensions in the run-up to the elections this year indicate that older conflicts still persist – a bad sign for the referendum on the future status of South Sudan that is scheduled for January 2011. It is possible and interesting to delineate potential scenarios, and to identify the political options they open up for different actors in Sudan. Anyway, the international community can play a constructive role in facilitating workable post-CPA arrangements.

The Heinrich Böll Foundation, which has been working both with civil society partners in Sudan and on Sudan-related issues in the German context for several years, has put together this publication in order to reflect on such scenarios.

With contributions by Alex de Waal, Atta El-Battahani, Marina Peter, John Yoh, Roland Marchal, and Peter Schumann.

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## **Diversity and Female Political Participation: Views on and from the Arab World**

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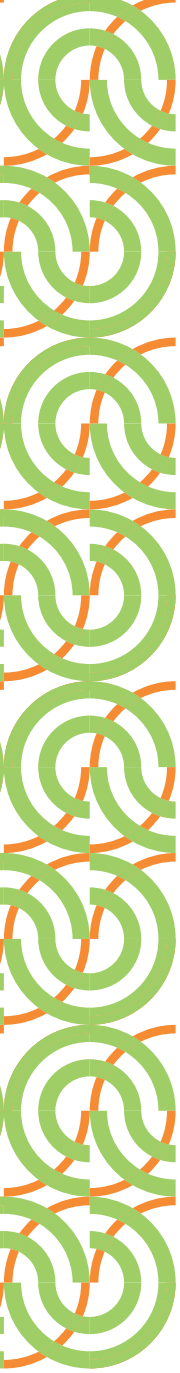












The role of emerging powers on the scene of international politics has been the focus of a lot of interest over the past years. One of the most important focal points of overlapping and competing interests of both established and emerging powers is the Middle East. This region is an arena where the new rules of the game are being developed and acted out. In the post Iraq-war era, the return of power-politics and the principle of “national interest” appear to strike back with

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