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THESIS

THE ARAB GULF COOPERATION COUNCIL
(AGCC) IS NOT JUST AN ORGANIZATION FOR
SECURITY, BUT IT IS AN ORGANIZATION
FOR COOPERATION IN ALL FIELDS

by

Abdullah J. Al-Quraini

June 1997

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**THE ARAB GULF COOPERATION COUNCIL (AGCC) IS NOT JUST AN
ORGANIZATION FOR SECURITY, BUT IT IS AN ORGANIZATION
FOR COOPERATION IN ALL FIELDS**

Abdullah J. Al-Quraini
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Submitted in partial fulfillment
of the requirements for the degree of

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ABSTRACT

This thesis examines the main purpose for establishing the AGCC, and proves that it was not created just as a defensive alliance as it is generally perceived in the West. The AGCC was formed for cooperation in all fields among its Member States. To demonstrate this fact, this thesis discusses the historical events that led to the establishment of this organization and analyzes the cooperation of the member states in area of politics, security, economy, as well as the development of human resources.

The analysis indicates that the formation of the Shura Council (Consultative National Councils) was the first step in the right direction in building suitable political institutions. They allow the citizens of the AGCC to participate in the decision making process. Also, the thesis examines the external and the internal threats to the region and the AGCC relations with the West. It finds that the AGCC States must enhance the existing (Gulf) Island Shield Force and maintain its alliance with the West.

The Study examines the economies of the AGCC States and shows that the AGCC States are still largely oil-based economies. It suggests additional and aggressive economic diversification programs which are needed and essential to base the economies on sustainable resources. The AGCC State must maximize an use oil returns to diversify their economies away from oil. Additionally, the thesis discusses the human resources development and emphasizes the investment in human capital which should be the objective and the priority of the AGCC States. Also, the thesis suggests that the educational system of the AGCC States needs radical reforms to meet the demands of modern economy. Finally, the thesis provides general recommendations to strengthen and move the AGCC forward in the future.

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I. INTRODUCTION

On May 25, 1981, six Arabian Gulf States (see Appendix C) - Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and United Arab Emirates (U.A.E.), bordering on the Arab Gulf bound together and formed a regional organization called "The Arab Gulf Cooperation Council" (The AGCC). The heads of the member states signed the Charter of the AGCC in Abu Dhabi, the capital of the U.A.E.

Is the AGCC just a security organization as it is generally perceived in the West, or is it an organization for cooperation in all fields? Most of the limited writers who focus on the AGCC emphasize that the establishment of the organization is based on security matters.

This thesis examines the main purpose for establishing the AGCC, and proves that it was not created just as a defensive alliance as it is generally perceived in the West. The AGCC was formed for cooperation in all fields among its member states. To demonstrate this fact, this thesis discusses the historical events that led to the establishment of this organization and analyzes the cooperation of the member states in the area of politics, security, economy, as well as the development of the human resources. Finally, the thesis provides general recommendations to strengthen the AGCC and move it forward in the future.

The six states share close similarities which are very important for the success of any organization. There is the common language, Arabic, a common religion, Islam, closely comparable social structures, roughly the same standards of economic development, a collective culture, heritage and history, very similar system of governments, and shared geography.

Also, there are similar economic, political, social and security challenges. Perhaps among the most important factors in the composition of the AGCC, the people of the six nations recognize and understand their fraternity in the wider implications of Arab nationality.¹ Although the AGCC was established in 1981, the common qualities had been in existence for centuries, and therefore, cooperation among these states and the coordination of their effort on a regional level had been in existence for many years. However, the cooperation and the coordination lacked the formal regional entity to organize, unify and direct the effort toward the attainment of the common goals.

A. WHY WAS THE AGCC CREATED?

Many people and organizations in the West perceive the AGCC as a security organization with primary goals of military cooperation. This is due largely to the circumstances and the timing in which the AGCC was created. By the end of the 1970s, three main events radically transformed the stability of the

Gulf States and brought the similar defense outlooks of the Arab Gulf States in sharp perspective. The Iranian revolution, the Soviet invasion to Afghanistan, and the Iran-Iraq War would not only impel the Arab Gulf States to forge closer defense ties, but also would put the Gulf at the center of super-power competition.² Also, it is true that the Arab Gulf States in view of the Iranian revolution, the Soviet invasion to Afghanistan, and the Iran-Iraq War were presented with unprecedented defense challenges. The severity of the situation by the end of 1980 and the acute regional instability caused by the above major events, serve to accelerate the movement toward the formalization of defense cooperation in the AGCC structure.

However, the above three events were not the only reasons for creating the AGCC. The AGCC was created for cooperation and integration in all fields and not just for security. Actually, the road to the AGCC started many years ago. A diplomat from a AGCC State has stated that the origins of the movement toward Gulf Arab cooperation reach back to 550 B.C.³ It is certain for two decades prior to the establishment of the AGCC there was strong sense of the need for cooperation among the Gulf States and perhaps even unity of at least among the smaller ones. For example, a successful attempt was made in 1971 when U.A.E. got independence. The seven Emirates got together and formed the U.A.E. as we know it today. Also, there was another attempt in 1971 to expand this Federation

to include Bahrain and Qatar. But eventually, as the leaders got down to serious business the ideal of unity fell victim to particular interests.⁴ The negotiation foundered for number of reasons. The key among other causes was the inability to agree over the allocation of seats in the proposed Federal Council.

Unity was important at that time, because when Qatar got fully independent in 1971, there was some initial opposition to that State's admission to the United Nations. The hesitation was quickly overcome by the effort of the United States, United Kingdom and other friendly countries in the United Nations. Certainly, the Arab Gulf States have done well in making their way individually in the world. But for all their progress, these nations with the exception of Saudi Arabia and Oman still suffer from a weakness beyond individual state remedy, e.g., tininess and small population. Of course, population has grown rapidly over the last three decades but it is still very small, which poses the further question of long-term viability of such small nations without grouping into regional organization, such as the AGCC.⁵

The people of the Gulf Arab States embrace Arab nationalism in its broader meaning and find satisfaction in dedication to the Arab cause. However, by the early 1960s it was fairly clear that the Arab League was about as far as the "Arab unity" was likely to go in creating an all-inclusive political institution.⁶ Moreover, the most vocal advocates of Arab unity at that time were Nasserists, Baathists and

the Arab National Movement. They were painting a vision of a New Social order which was hardly inspiring to the conservative and prosperous citizens and the ruling families of the Arab Gulf States. Thus, the search by the Gulf leaders for a political identification started to focus close to home. From the beginning, however, the quest for the sort of cooperation represented by the AGCC has been perceived by the questers as compatible with and complementary to a dedication to Arab Nationalism and the Arab League common goals.⁷

There had been many initiatives before establishing the AGCC to coordinate cooperation in the region. In 1976, H.M. Sultan Qaboos bin Said, Sultan of Oman, made an initiative and invited the foreign ministers of the Arab Gulf State; Iran, and Iraq to meet in Muscat to discuss the Oman suggestion that a coordinated regional security and defense policy be established. The Ministers were not able to agree on a common position and the conference came to an end without any conclusion reached.⁸ The Omani initiative could have been successful in decreasing tension in the area and probably avoiding the two Gulf Wars, which have happened since then in the region and involved directly three members of the proposed organization.

Also, in 1976 another effort was made by Sheikh Jaber al Ahmed al Sabah, the present Amir, at that time was Crown Prince and Prime Minister of Kuwait. Sheikh Jaber proposed the establishment of a "Gulf Union" involving the Arab

States in the region. The proposed Gulf Union was intended to be a vehicle for joint action with the objective “of realizing cooperation in all economic, political, educational and informative field.”⁹ Now it is clear that the genesis of the present AGCC was laid in the Kuwaiti proposal, although it was another five years before the idea became a reality. Even though the concept of a Gulf Union was accepted by all leaders, a lot of effort and time were needed for discussion on the subject of the regional grouping, now refined in concept, to include only the six countries which eventually formed the AGCC.¹⁰

It was not easy for the AGCC leaders to establish the AGCC without considering other powers in the region, especially in the field of security. Iran and Iraq were and still are major powers in the Gulf. How could we talk of “Gulf cooperation” without including Iran? And how could we talk about “Gulf Arab Cooperation” without including Iraq?, with a population equal to that of the other six Gulf States put together and a strong army.¹¹ The initiative of H.M. Sultan Qaboos in 1976 for Gulf Security Conference proved the point. Through trial and error and serious thinking the Gulf leaders began to find a way to more structured cooperation among the Arab Gulf States without upsetting or causing great opposition from their neighbors. Eventually, the outbreak of the Iran-Iraq War in September 1980 provided a way around this obstacle. The AGCC is an exclusive grouping of Gulf nonbelligerents.¹²

The Arab Gulf States had a good common ground for economic cooperation before the official establishment of the AGCC. Some major progress was made in cooperative ventures among several of the six states. The most striking example was the participation of Bahrain, Qatar, U.A.E. and Oman in Gulf Air. Gulf Air was not only a successful venture but also a facilitator and symbol of cooperation among the four lower Gulf States. In the period 1976-78, Gulf Arab governments got together to launch various commercial and industrial joint ventures. All six plus Iraq participated in the Gulf Port Union, the Gulf Organization for Industrial Consulting and the Gulf News Agency. By 1980 the Gulf Federation of Chambers of Commerce and Industry was established. Thus major steps toward economic cooperation were achieved well before the AGCC's Unified Economic Agreement was approved in 1983. Therefore, most of the groundwork was done, the benefits of working together were realized and the foundation was laid on which the AGCC could be rapidly erected once the AGCC was officially created in 1981.

The driving force behind the establishment is not based on merely a series of intellectual conceptions and conclusions, but is grounded in hard, material fact which in turn, creates many of the AGCC strategic and geopolitical policies.¹³ A key element in the fact of the AGCC's life is the members awareness that only in combination do they possess a proper viability as a political and demographic independent entity in today's world. Individually, four of the six AGCC countries

are, in population and territory, extremely limited. Only Saudi Arabia and Oman have a sizeable land mass on the world scale and none of the six has, individually, a population of any magnitude.¹⁴

B. THE CHARTER OF THE AGCC

The principal instrument of the AGCC is the Charter.¹⁵ The Charter consists of a preamble and 22 articles (see Appendix A). The preamble points out three main points. First, it sets out the desire of the six member states to strengthen their common links through cooperation, coordination and integration. Second, it defines and emphasizes that cooperation and integration will serve the long term interest of the Arab Nations. It complies with the Charter of the Arab League, which calls for closer relations and stronger bonds among Arab States.¹⁶ Third, the Preamble calls for cooperation in “all fields” which could be interpreted that cooperation is not limited to those areas specifically mentioned in the Charter articles.

The 22 Articles divided into six topics:¹⁷

1. Basic information Articles (1, 2, 3, 5).
2. Objectives Article (4).
3. Structure Article (6).
4. Functions of the main body within the AGCC Articles (7-16 and 18).

5. Privileges and immunities Article (17).
6. Charter implementation, amendment and disposition Article (19-22).

The AGCC Charter establishes three permanent bodies and one ad hoc commission (Article 6). They are the Supreme Council, the Ministerial Council and the Secretariat. The commission is a recommended body only and operates at the pleasure of the Supreme Council (Article 10, Section 4). Voting in both the Supreme and Ministerial Councils is based on unanimity on substantive issues and on a majority for procedural matters (Articles 9 and 13). The Supreme Council meets annually. Special sessions may be called if requested by any member and seconded by another (Article 7). The Supreme Council is the highest body in the AGCC and it consists of the heads of six member states.

The Ministerial Council consists of the foreign Ministers of the six member states. The Council meets every three months, and its Presidency rotates in alphabetical order of the member states (Article 11).

The Secretariat is headed by a Secretary-General and sufficient staff to carry out the functions of the council. The staff must be citizens of the member states (Article 14). The Secretariat is located in Riyadh, Saudi Arabia. The Secretary-General is the Chief Administrator of the AGCC.¹⁸

C. THE OBJECTIVES

The basic objectives of the AGCC are clearly defined in Article 4 of the Charter. They are:

1. To achieve cooperation among the member states in all fields as a prelude to unity.
2. To strengthen the links of cooperation among the people of the member states in different fields.
3. To establish similar systems among the member states in all fields, including economics and finance; commerce, customs and communication; education and culture and legislation and administration.
4. To stimulate scientific and technological progress in the fields of industry, mineralogy, agriculture, and marine and animal resources. Also, to establish common projects, and encourage the cooperation of the private sector for the common good of the people of the member states.¹⁹

An analysis of Article four leads to answer the primary question of this thesis. “The AGCC is not just a security organization but an organization for cooperation in all fields.” *It is interesting to note that cooperation in the area of security is not even mentioned as being among the basic objectives of the AGCC. None of the six specific areas of cooperation under paragraph three of Article four touches on security.*²⁰ Security was regarded as a sensitive issue. Therefore, the leaders of the AGCC tried to avoid establishing a defensive alliance or perceived to be a threat against anyone in the area. They emphasized that the objectives of

the organization were mainly economics. Also, Article four provides the foundation for further cooperation in all fields which clearly includes security. The AGCC States had different views on the issue of security. Oman for example, wished to include security in the basic objectives of the AGCC, but went along with the wishes of the majority of the AGCC States. In 1983 however, the AGCC began to discuss security issues openly. I am not suggesting that security issues were not discussed before this date, but I'm saying that, they merely were not on the official agenda. Security matters have been the preoccupation of all AGCC leaders with different degree of urgency.

This thesis is written to provide wide prospective about the formation and the objectives of the AGCC, which is not limited to security cooperation. Therefore, in the second chapter, I will discuss the political cooperation, the formation and the roles of the Shura Councils in the AGCC states. In the third chapter, I will address the security alliance by examining the internal and external threats and the collective AGCC states defense plans. In the fourth chapter, I will examine the economic cooperation and the achievements and the limitations of the AGCC Unified Economic Agreement (UEA). Also, in this Chapter I will discuss the achievements and the challenges of the human resource development in the AGCC states. Finally, the thesis seeks to provide a conclusion of the main points

discussed in various chapters, and provide recommendations to promote and enhance AGCC's achievements and defeat its challenges.

Endnotes to Chapter I.

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17. Nakhleh, Emile A., "The Gulf Cooperation Council Policies, Problems, and Prospect," Peager Publishers, New York, 1988, p. 7.
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20. Ibid, p. 8.

II. THE POLITICAL SYSTEM

A. OVER VIEW OF THE POLITICAL SYSTEM

One of the main factors that all the AGCC states share together is the similarity of the political system. All the AGCC states are ruled by ruling families (monarchies). The structure of the governments is almost the same, where the supreme executive, legislative and judicial authority is vested in the central government.¹ The legal system in the AGCC states reflects significant number of shared features, including the shared heritage of Islamic law. Also, the AGCC states implement similar policies in their foreign relations with the rest of the world.

In examining the political system in the AGCC states, it is clear that several essential conditions are present to enable the AGCC states to form lasting political cooperation, which may lead to political integration in the future. I'm encouraged by the fact that the Arabian Gulf region had witnessed two successful integrations in the past. The first one was the unification of the Saudi Arabia by the late king Abdullaziz, founder of the kingdom of modern Saudi Arabia; the second one was the unification of the seven Arab Emirates, now known as the United Arab Emirates (U.A.E.). These two experiences encourage the prospects for political

integration of the six Arab Gulf states since the previous successful integration took place in the same region and among similar people.²

Having said that, I'm aware many things have changed in the region, which makes it different from the past two experiences. At present, total integration among sovereign states in the area is extremely difficult to accomplish. Other types of integration such as economic integration seem to be easier to achieve, simply because the independent countries would not have to surrender their sovereignty, and that is why the AGCC states focus their effort more at this stage on the economic and social integration, which are essential for any political integration which must come at the final stage of any integration process.

The AGCC is a successful experience in the Arab world politics. It has been able to overcome many serious challenges in the region. The most serious one was the Iraq invasion to one of its members (Kuwait) on August 2, 1996. It was a very difficult challenge and experience for the AGCC states, because the full scale attack came from another Arab country which was unprecedented in the modern Arab history. However, the AGCC states bound together and provided unlimited political, economic, military, social and emotional support to Kuwait. The forces of all the AGCC countries took active part in the liberation of Kuwait. Without the enormous support of the AGCC states (especially Saudi Arabia), it

would have been almost impossible for the coalition forces, led by the US, to liberate Kuwait.

The invasion of Kuwait had a great impact on the social and the political system in the AGCC states. The AGCC countries experienced and developed a new political approach, especially with relation between the governments and their people. This experience led the political elites to rethink their approach to politics and seek more extensive domestic support and stronger foreign alliances. Also, the Gulf war provided the incentive and the will to get the people more involved in the decision making process. As domestic, regional and international variables continue to have great impact on the Arabian Gulf, the AGCC states are being forced to deal with the issue of political participation more seriously than have in the past.³

This fact was clearly demonstrated in the increase of the popular participation in the decision making process in the AGCC states, coupled with the formation of new political institutions in the form of (Shura Councils) and the expansion of power of these Shura councils. Additionally, most of the AGCC states have published their written constitutions, which protect individual rights and defines the relationship between the governments and the people.

One of the AGCC states (Oman) has taken the lead in allowing women as full members in its Shura Council and it is expected that others will follow. Most

AGCC states have realized that since Gulf women constitute almost half of the population, and they should be given real opportunities to take their rightful place in society.⁴ Also, all AGCC states agree that real security could only be achieved through political participation of their people and social justice.

The AGCC countries are probably some of the most financially and commercially integrated states in the world capitalist system, exercising near total hegemony over the Gulf's economic choices and developmental strategy.⁵ On the other hand, the AGCC states are characterized by their small size in both area and indigenous population, large foreign labor force and still limited political participation in the decision making process.

First and the foremost, the AGCC States are aware that they cannot achieve their goals without the individual governments allowing their people to enjoy more individual freedom, academic freedom in the universities, and freedom of expression in the society at large.⁶ This notion has been clearly emphasized in the rulers' public addresses and "meet the people tours" in case of Oman. The citizens of these states must be brought more into the government process so that they can feel part of the effort. Presently, from the governments' perspective, this issue may be discomfoting, but in reality, this is the only way that will provide a meaningful debate of the nature and the future of the AGCC States.⁷

In analyzing the political participation in the AGCC States, it is necessary to point out that the Arab Gulf States are better described as newly emergent post-traditional States. The traditional institutions are deeply associated with the Islamic and Arabic way of life. Compared with other Arab and third world countries, they are well able to provide for the needs of their citizens, and in the few short decades of oil-fueled modernization have been accompanied by a significant degree of political development. The extent of such development depends largely on the length of time the modern States have had to solidify and evolve.⁸

The Gulf States are ruled by different ruling families. The traditional pillars of the ruling families' legitimacy were based on traditional power-sharing in a tribal society and Islam as represented in Islamic law. Historically, the leader of the tribal community essentially serves as a "Chairman" rather than a ruler, who consulted tribal, religious and merchant notables of the community before taking action. Rulers also found it necessary to govern in accordance with, or at least in reference to, the Islamic principles of consultation (Shura) and consensus (Ijma).⁹

B. THE SHURA COUNCILS

All AGCC States attempted to marry traditional and rationalist bases of legitimacy by establishing advisory or Consultative Councils (Majlis Al-Shura).

They were the logical choice. Majlis represents the form of the institution and the Shura its constitutional essence. Majlis is widely used for a parliament throughout the Islamic world. Traditionally, the Majlis is a place where relatively free exchange of ideas and opinions on a wide variety of social, political and economic matters are discussed and debated. Also, the Majlis is an open meeting where anyone can petition their leaders from the King down to the Governors of the provinces and local leaders. In other words, the leaders are accessible to the people.¹⁰

The ruling families in the AGCC States are the ruling elites, and it is generally accepted within tradition and tribal context to exercise authority in the name of the people. Members of the ruling families are under the same obligations and constraints as are all citizens, although this remains subject to abuse so that the ruling families continue to monopolize power. The rest of the people will tolerate this monopoly only as long as they continue to perceive the monarchical system as legitimate and accept the authority of these ruling families.¹¹

Table I below shows a summary of the member states of the AGCC and the ruling families:

Table I. Summary of the AGCC Number States and the Ruling Families

Country	Ruler	Ruling Family	Total Population	Area
Bahrain	Isa Bin* Sulman (Amir)**	Al-Khalifa	550,000	694 km ²
Kuwait	Jabir Al Ahmed (Amir)	Al-Sabah	2,000,000	17,818 km ²
Qatar	Hamed Bin Khalifa (Amir)	Al-Thani	500,000	11,437 km ²
Oman	Qaboos Bin Said (Sultan)	Al-Bu Saidi	2,000,000	312,000 km ²
Saudi Arabia	Fahd Bin Abdula ziz (King)	Al Saud	17,000,000	2,331,000 km ²
Emirates (UAE)	Zaid Bin Sultan (President)	Al-Nahyan	2,000,000	77,700 km ²
	*Means "son of"	**Means Prince	24, 050,000	2,750,649

Source: After Ref. J.E. Peterson, "The AGCC Steps Toward Political participation," CSIS, 1988, New York, p. 5.

The discovery of oil in huge quantities has changed the AGCC States and their inhabitants. The oil wealth enabled the AGCC States to carry out explosive developmental programs. Economic prosperity touched every facet of life in those countries. The whole infrastructure for Social Services, public Services, and industrial development was created in a few years. Demands for consumer goods increased a thousand-fold within a decade.¹² There is no taxation of any sort, and the assumption is made that when the State relies on taxation the question of democracy becomes "Unavoidable issue."

The AGCC countries are no longer traditional tribal societies, and ruling families increasingly risk being perceived as an elitist class, acting on their own without political participation from the majority of the people, in the decision making process.¹³ The AGCC states consist basically of two societies; conservative, which is a traditionalist that resists changes and demands adherence to Islamic law, and liberal which demands more political participation in governments. The political participation can be defined as a “process whereby individuals engage in activity that impinges directly upon the national power and authority structure of society.”¹⁴ By their written constitutions the AGCC States describe themselves as democratic, implying a commitment to political participation.¹⁵ However, the term democracy is very limited compared to the Western-style democracy.

There is little reason to suppose that the ruling families in the AGCC States will be transformed into Western-style parliamentary or presidential democracies in the foreseeable future.¹⁶ Western-style democracy will not work in the AGCC States. Therefore, the AGCC States wisely have chosen the Consultative Councils (Majlis Al Shura) or Advisory Councils as a first step toward a limited democracy which is the most suitable for these type of societies, because it satisfies the needs and addresses the concerns of both societies. The official establishment of the National Councils has enhanced the tribal or the social democracy that existed in

all AGCC States. Also, this enabled the AGCC states to persuade both societies to accept the National Council (Shura Councils) as a means for limited political participation in the decision making process.

Now I will provide a brief background of the National Councils (Shura Councils) in each State.

1. Saudi Arabia

The consultative council (Majlis Al Shura) in Saudi Arabia is the youngest council in the AGCC States. It was first announced in 1962 but was postponed, because the society was not ready for political participation as well as the unwillingness of the government to share the power with the people. Finally, King Fahd announced the official establishment of the Consultative Council in March 1992. The Shura Council is composed of a Chairman and 60 members chosen by the King from amongst scholars and men of knowledge and expertise. The Council members are committed to serving the public interest, preserving both the unity of the community and the entity of the State and the interests of the nation.¹⁷

2. Bahrain

Bahrain is the second of the AGCC States that established a National Assembly. On August 15, 1971, the Amir of Bahrain announced the official establishment of the National Assembly. The Assembly was to consist of 22 elected representatives plus 20 additional members, including eight delegates

appointed by the Amir and 12 members of the Council of Ministers. The first election in Bahrain was held in December, 1972.¹⁸ Although the National Assembly lacked authority to prevent the government from enacting legislation that Assembly members opposed, this situation did not impede policy debates.

The National Assembly was replaced with the Shura Council in 1993, to go along with the titles of the majority of the political institutions in the AGCC States. The New Shura Council expanded to 30 elected members with greater authority. It is important to point out that the National Assembly was suspended by the Amir in 1975, because of the Assembly's opposition to the government decision to enact a new security law as well as the prime minister's threat to resign, as he could not work with the National Assembly.¹⁹

3. Kuwait

In June 1961, the Amir of Kuwait announced that he would establish a constitution for Kuwait and a National Assembly. The National Assembly consisted of 20 seats. The first election ever in the AGCC States was held in Kuwait on December 30, 1961. The National Assembly was then expanded to 50 elected members by secret ballot.²⁰ Individual rights protected by the constitution are extensive and include personal liberty and equality before the law, freedom to hold beliefs and express opinions, and freedom of the press. The National Assembly was changed to the Advisory National Council (ANC) before the

invasion in 1990. After the Gulf war the National Assembly was reinstated with greater legislative power and responsibility. (It enjoys more legislative power than any of the other Shura Councils in the AGCC states). The last general election for the National Assembly was held on October 8, 1996. Many new representatives were elected for the first time, who represent all groups of the Kuwaiti society, including the Shea minority.²¹ Also, in Kuwait the National Assembly was suspended twice by the Amir. The first suspension was in 1976. This was due to the political dissension and the unregulated press. The second was in 1986, after the National Assembly failed to observe the Amir warning in 1985, which pointed out the necessity for practicing a reasonable democracy.²²

4. Qatar

The Advisory Council (Majlis al-Shura) is included in the constitution of April 19, 1972.²³ It consists of 30 members chosen for their good judgment and competence to represent all sectors of society and all regions of the country. The Shura Council debates the general policy of the State, the social and cultural affairs, drafts laws proposed by the council ministers and discusses the draft budgets of major public projects. In 1975 the Amir empowered the Shura Council to summon individuals to answer questions on legislation before promulgation.

Amir Hamed bin Khalifa who deposed his father in June, 1995, has made many reforms in the country since he has taken over, including the amendment of

the provisional constitution. In addressing the Shura Council in November, 1996, the Amir stated “We think that its time to draw a permanent constitution which takes into account the progress which has taken place in the country in all spheres during the last twenty-five years, to deepen our pioneering experience in popular participation in such a manner as to reinforce the capacity of the executive, legislative and judicial powers.” The basics the Amir has introduced are regarded by the Qatari people as a revolution bringing positive and radical changes to the country. These reforms have enhanced the atmosphere of democracy in the state.

5. United Arab Emirates

The Shura Council is known as the Federal National Council (FNC). It was established on February 13, 1972 and is considered a landmark in the country’s constitutional and legislative process.²⁴ The FNC advises the Cabinet and the Supreme Council but cannot overrule them. According to the constitution, the FNC consists of 40 members who are drawn proportionately from each of the seven Emirates. Each ruler appoints the members for his Emirate.

The distribution of FNC is as follows - Abu Dhabi and Dubai eight members each, Sharja and Ras Al-Khaimah six members each and Umm Al-Qawain, Ajman and Fijairah four members each. The FNC has the power to amend and review all legislation and summon ministers to review and criticize the work of their ministries.²⁵

6. Oman

The State Consultative Council (SCC) was established on October 18, 1981, the second youngest National Council in the AGCC. Initially, the Council was composed of 43 members but was extended to 55 in 1983. All members were appointed and the President of the SCC was directly selected by the Sultan. On November 18, 1990 (National Day), H.M. the Sultan announced that the Shura Council was to replace the SCC.²⁶ The main difference was to be that whereas the SCC was a nominated body, Shura Council was to be a wholly elected body. There are 59 Wilayets (districts) throughout the country and all are represented. During 1994 H.M. the Sultan approved the expansion of the Shura Council from 59 members to 80 members based on the result of the first National Census held in December 1993. Those Wilayats with a population of more than 30,000, elect four candidates, and the government selects two members. Wilayets with less than 30,000 continue to put forward two candidates, one of whom is selected by the government for a term of three years.²⁷

The Sultan also decreed the participation of women in the vote for the first time and their right to be nominated for representation in the Shura Council. As a result, two women now serve as representatives in the Shura Council. This was the first time in the AGCC States history where women were elected as members of the National Council. This action has been well received and supported in the

Oman society. In an interview with the U.K. newspaper, the Daily Telegraph, the Sultan said “There is no way women are inferior, they are equal to men in every respect, and all my countrymen are getting hold of this now.”

Additionally, H.M. the Sultan tried to bring in the newly-educated Omanis by raising their social and political status and offering them significant economic rewards.²⁸ Among the principal duties of the Shura Council is the reviewing of all social and economic draft laws, prepared by Ministries before their enactment. The council also participates in setting up development plans, and in the following up of their execution within the general strategy of the State.²⁹

The Shura Council has the power to summon ministers to appear before the Council when a matter concerning their ministry is discussed, and they must reply on the spot to valid questions put by any member of the Council. The debate is always televised live to the whole Nation, and has been well received by the public.

H.M. the Sultan also carries on the democratic process through his annual tours of the interior, “Meet the people tour.” He usually stays out in the desert for one month with many of his ministers. This provides him with the opportunity to meet individual Omani face to face, listen to their suggestions and discuss their problems, which gives him a valuable means of assessing their need and

evaluating his developmental programs. On these occasions, the appropriate ministers are called in and the matter is dealt with immediately.³⁰

During the 26th National day (18 November 1996) H.M. issued a royal decree number 101/ 96 which established the first written constitution in Oman history.³¹ The constitution was named “The White Book,” the basic law of the Sultanate of Oman. It contains 81 Articles and deals with all aspect of the life in Oman. The constitution is considered as a landmark in Oman after the country has completed its basic infrastructure. The people of Oman received the constitution with great pleasure and happiness, because it is viewed as a written commitment from the government to the protection of individual rights which the people of Oman enjoy now and would insure its continuation in the forceable future. Table II illustrates a summary of National Councils (Shura Council) in the AGCC States.

Are formal National Councils (the Consultative Councils) appropriate for these States? Or are these institutions basically Western imports with no legitimate basis in Gulf Society? The latter does not seem to be the case. Instead, the National Councils of the AGCC States is an attempt to transform traditional informal institutions into modern formal institutions. These political establishments are intended to legitimize the government and enable all sectors of the citizens of the AGCC States for limited political participation in the State-building process, especially, during a period of rapid development and difficult destabilizing changes in both security and oil prices.³²

Table II. Summary of the Shura Councils (National Consultative Councils) in the AGCC States

	Saudi Arabia Shura Council	Kuwait Advisory National Assembly	Qatar Shura Council	Bahrain Shura Council	UAE Federal National Council	Oman Shura Council
Legal bases in constitution?	No	Yes	Yes	Yes	Yes	Yes
Present status	Functioning	Functioning	Functioning	Functioning	Functioning	Functioning
Term of Office	4 years	4 years	Indefinite	4 years	2 years	3 years
Selected Members	60	50	30	30	40	80
Means of Selection	Appointed	Elected	Appointed	Elected	Appointed	Elected
Council Leaders	Appointed	Elected by Members	Appointed by the State	Elected by Members	Appointed by the State	Appointed by the State
Parties Permitted?	No	No	No	No	No	No
Legislative Review?	Yes	Yes	Yes	Yes	Yes	Yes
Approves Budget	No	Yes	Yes	Yes	Yes	No
Has Power to Override Veto?	No	Yes	No	Yes	No	No
Women Membership Permitted?	No	No	No	No	No	Yes

Source: After Ref. John E. Peterson, "The AGCC Steps Toward Political Participation," CSIS, New York, 1988, p. 24.

C. THE ROLE OF THE SHURA COUNCILS

What are the roles played by the National Councils? In order to provide an answer to this question, it is important to point out that there is a difference among the National Councils in structure and authority, but overall, they all play similar functions. John Peterson indicated six functions. These are summarized below:

1. **Legitimization of the Government.** A National Council is generally seen as a democratic institution. It at least preserves the facade of constitutional legitimacy and implies a “social contract” between the government and its people.
2. **Formalized Majlis (Council).** It formalized the traditional informal social Majlis in a formal, constitutional manner.
3. **Legislative Role.** Formal participation in the legislative process, e.g., debating and reviewing government non-sensitive policies. Questioning Ministers and representing the people.
4. **Government Accountability.** The written constitutions in most of the AGCC States specify that sovereignty rests with the people. Theoretically then, governments are accountable to the people. Therefore, in a general sense, the legislative powers of these bodies constitute a check on government policies and activities.
5. **Incipient Populism.** National Councils can provide an outlet for the expression of opinion and grievances. They can act as a safety valve. Members of the National Councils frequently adopted a populist stance, speaking out on behalf of the “little guys.” I have seen it many times in Oman during the Shura Council sessions.
6. **Legitimization of Political Participation by Minority.** Ethnic minorities have been represented in the various bodies in most AGCC States, either through election by fellow members of their communities or by the effort of the government to provide these groups with representation.³³

7. **National Councils (Shura Councils)** serve as a conduit for a political participation in general.

In summary, the AGCC countries have made a good start in the right direction for enabling the people of the AGCC States to participate politically in the decision-making process. The Shura Councils are the first blocks toward building appropriate democracy in the AGCC States. The next step should be directed toward expanding the legislative capacity of the Shura Councils and emphasizing the democratic forms of governing through direct popular elections. The AGCC States are ready for well-planned political development and political reform, without much domestic and external pressures.

The AGCC is a relatively young organization, the first of its kind in the Arab world. It has promise, but it faces challenges. Challenges could be met and defeated by building strong political institutions and promoting democracy, where the AGCC citizen can nurture his aspirations for a life of dignity and economic prosperity.

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III. SECURITY

The security threats and the instability in the Arabian Gulf in the late 1970s hastened the inception of the AGCC. The Iranian Revolution of 1979 was the opening stage of serious instability. The outbreak of war between Iran and Iraq in 1980 and the fear from the expansion of the war to nonbelligerent countries, and the Soviet invasion to Afghanistan all exacerbated the instability in the region. These events posed serious regional threats and set the stage for formal military cooperation between the Arab Gulf States through the AGCC. At that time, the leaders of the AGCC states placed a greater emphasis on economic cooperation than military cooperation. Security was one of the major concerns of the leaders but it was not the only objective of the AGCC. Actually, security was not even included as one of the major AGCC objectives in Article Four of the AGCC Charter. Because security was a very sensitive issue, and the AGCC leaders did not want their neighbors to perceive the creation of this organization as a military alliance.

The AGCC States established their defensive system on many dimensions which included historical considerations, domestic constraints, regional political and military conditions and the role and the interest of the superpowers in the region. The above elements have resulted in establishing military alliance that is

defensive in nature and based on limited though developing deterrence capacities.¹ The strategic interest of the AGCC States has always been in removing the region from confrontation and defusing hostilities in the area. Due to the historical role of external actions and interference of major powers in the region, the AGCC States have been keen to build a credible defense capacity against other regional actors in the area. There are many limitations and restrictions in personnel, training, as well as other structural and geographical constraints.² The military capacity of which the AGCC States could develop in the past individually and collectively did not match the enormous strategic importance of the AGCC States. The small population of the AGCC States did not allow the formation of large armies or other labor-intensive military structures to match the large populations and the standing armies of Iraq and Iran.

In order to compensate for the lack of personnel, the AGCC States concentrated on obtaining sophisticated capital-intensive defensive weaponry from foreign suppliers.² However, this approach created another problem because the corresponding pool of indigenous educated personnel was comparatively small in light of the number of areas where modernization was necessary in order to create and maintain modern military systems.

Having realized this shortcoming, all AGCC States invested generously in human capital mainly in education and other related human development

programs. At the same time, they were obliged to rely on foreign personnel to train and assist in developing their indigenous military capacity. The risks inherent in this trend were obvious and underlined the desire by the Arab Gulf States to “nationalize” their military systems once sufficient indigenous skills have been developed.³ There are many other challenges of general relevance to the strategic interests and development of military capabilities, including the geographical characteristics of the AGCC States, such as protecting large territories with a remote social and economic infrastructure, and the strategic location of oil installations, most of which are located on the Gulf or in the desert and vulnerable to attack by sea and air. Attacks on key facilities could impair the entire oil infrastructure, though efforts have been aimed at achieving a degree of redundancy.⁴

A. The IRAN-IRAQ WAR, 1980-88

The outbreak of the war between Iraq and Iran provided the first major threat to the AGCC States. Full-scale warfare erupted September 10, 1980 as Iraq’s military units swept across the Shatt al Arab waterway which forms the confluence of the Tigris and Euphrates Rivers - into the province of Khuzestan, Iran’s richest oil-producing area.⁵ This war presented the Gulf region with great hostility and instability. Initially the AGCC States were affected peripherally, but

as most of the AGCC States supported Iraq in this ill-fated war, the Iranians reacted to the Iraqi air attack on its main oil terminal on the Island of Kharj by attacking ships destined for ports in Gulf States that assisted Iraq in its war effort.⁶ Also, during the war some of the AGCC States (Bahrain and Kuwait) accused Iran in getting involved of destabilizing incidents, including an abortive coup in Bahrain in 1981, terrorist activity in Kuwait in 1983, and violence in Mecca, resulting in the death of more than 400 pilgrims.⁷ As a result of these attacks on the oil tankers, Kuwait sought the protection of the U.S. to escort its vessels in the Gulf. The United States, determined to protect its interest in the region to ensure the flow of oil, accepted to place Kuwaiti oil tankers under the American Flag. Also, the British and Soviets took part in the re-flagging of Kuwaiti ships. Under this arrangement, Kuwait succeeded in protecting its oil tankers and Iran generally avoided interfering with Kuwaiti ships sailing under the major powers' protection.⁸ The war lasted for eight years. Heavy losses were sustained by both countries which included both human casualties and the destruction of main cities, eventually forcing the Iranians to accept a United Nations cease-fire in August 1988.

B. THE GULF WAR, 1990-1991

Unfortunately, on August 2, 1990 another full-scale war was initiated in the Gulf region by Saddam Hussein. But this time the war was a full-scale invasion

against Kuwait, a member of the AGCC. This war presented the AGCC States with immediate threats and a direct challenge to their survival and existence. All AGCC States, and the whole world for that matter, were caught by surprise to wake up in the morning of August 2, 1990 and find that Kuwait was invaded and ceases to exist as a sovereign state. The invasion of Kuwait was not only rejected by the AGCC States, but was condemned by the entire international community with the regrettable exception of a few Arab countries who felt that their moral principles would be compromised and /or seeking vague economic advantages as promised by Saddam. The Iraqi invasion of its small neighbor, Kuwait, was a serious blow to Arab unity. It was an unprecedented event in the modern Arab history and the most traumatic incident in the history of the Arab League.

It is ironic to remember that before the war, Egypt, Jordan, Yemen and Iraq formed a short-lived Arab Cooperation Council (ACC) whose members then found themselves on opposing sides after Saddam's invasion to Kuwait. The AGCC had been unable to deter or prevent the forcible annexation of its member and the ACC had failed to stop one of its members, Iraq, from the unilateral use of force in realizing the ambitions of its leadership.⁹

Intelligence sources believed that, after Iraq completed its occupation of Kuwait, it was positioning its forces for a subsequent drive toward the Saudi oil fields and possibly continuing down toward other AGCC States. I personally did

not agree with this analysis. It would not have been to Saddam Hussein's advantage to swallow Saudi Arabia and other AGCC States. His lines of communications would have been too thinly extended and his forces would have been dangerously and vulnerably exposed to air and land attacks. Saddam's subsequent drive to Saudi Arabia however was greatly exaggerated by the West. Such exaggeration of threats was not necessary because the AGCC States were totally committed to the liberation of Kuwait at any cost. The creditability of the AGCC was under serious challenge. Also, if the occupation had been allowed to continue, it would have set a serious precedence in the international relation and many aggressors around the world would follow Saddam's approach in dealing with their neighbors.

The U.N. issued a series of resolutions condemning Iraq. The Security Council on August 2, called for Iraq's unconditional and immediate withdrawal from Kuwait. Again, to protect its interests in the region and as the only super-power in the world, the United States took the lead and formed a coalition from 28 countries and deployed more than 600,000 ground, sea and air personnel to protect Saudi Arabia and liberate Kuwait. The majority of the forces and military equipment were provided by the U.S.

Command of the coalition forces was divided: Gen. Norman Schwarzkopf headed the U.S., British and French Units; his Saudi counterpart, Lt. Gen. Khalid

Ibn Sultan Ibn Abdul Aziz, Al Saud, commanded units from 24 non-western countries, including troops from Saudi Arabia, Egypt, Syria, Kuwait and other AGCC States. In addition to 20,000 Saudi troops and 7,000 Kuwaiti troops, an estimated 3,000 personnel from other AGCC states took part in the land forces of the Coalition Offensive, which was known as Operation Desert Storm.¹⁰ On February 28, 1991, although Kuwait was liberated yet another tragic phase of the war had already begun, the suffering of the innocent Iraqi people.

C. EXTERNAL THREATS

Most of the external threats that precipitated the formation of the AGCC, in 1981, still exist today. In 1981, the AGCC didn't regard Iraq as a serious threat to its security. Today, six years after the Gulf War, Iraq, despite its military defeat in 1991, still possesses the means to threaten the AGCC States as long as the Baath regime and Saddam Hussein are still in power. Iran, with its revolutionary ideology, still poses a threat. Iran has softened its radical position to improve its tarnished image in the international community, but it is still considered a threat as long as it continues to occupy the three islands that belong to UEA and keeps buying and developing offensive military capabilities.

1. The Arab- Israeli Conflict

The Arab-Israeli conflict was not really a pressing issue during the previous Labor Government as the peace process was progressing toward an

acceptable solution to all parties. Such solution must include a just, comprehensive and permanent peaceful settlement in the Middle East, and the realization of Palestinian legitimate rights of having a state of their own. The present Israeli Government, under the Likud party and the leadership of prime minister Benjamin Netanyahu, are largely antagonistic toward the peace process and unwilling to move forward with the peace agreement, rather wanting to renegotiate the Oslo agreement, which may endanger the whole peace process. Under such circumstances, the AGCC states regard Israel as a regional threat, because the Palestinian question is the central issue in the Middle East. The AGCC fully supports the peace process and with two of its members Oman, and Qatar even moving forward with limited economic contact with Israel. But presently, they have frozen all contacts with the present Israeli Government because it has not honored the peace Agreement that was signed by the previous Labor Government.

2. The Iranian Threat

The Persian threat to the Arab Gulf States goes back hundreds of years in history. In the distant past, there have been many Persian invasions to the Arab side of the Gulf. It was driven by a strong tradition of struggle in the region. It was also the ambition of Iran, expressed earlier by Shah Muhammed Reza Pahlavi, and then, more recently by Ayatollah Khomeini and his successors, to play the

dominant role in the Gulf security. This along with the continuing occupation of the three islands in the Arabian Gulf, the Iranian weapon acquisition programs, and the suspicion which the Sunni Muslims on the Arab side of the Gulf have toward the Shiite religious Imams who control Iran. Those factors are the main cause for the confrontation. They created a psychological threat and mistrust between the two groups.

Having said that however, the Iranians and the Arabs are neighbors and have been living together for many centuries. They both contributed generously to the Islamic Civilization and there has been strong economic and cultural cooperation between Iran and the member States of the AGCC. The AGCC States regard Iran as an important regional power but they do not want Iran to dominate the region. The defeat of Iraq, in 1991, has altered the balance of power in the Gulf region, and Iran's position was made clear by its religious leaders that: *“As the most powerful country in the region it is natural that we should be concerned about the security and stability of the region...our proposal for the seven regional countries (Iran and AGCC) - as well as the eighth country Iraq if the right conditions are present there - is to create the nucleus of a system by which they can, on their own, without the interference of others, restore security and stability.”*¹¹ The AGCC States are suspicious about the intention of Iran and its role in the security of the region. Yet the relationship between the AGCC states

and Iran is not of open hostility. Oman for example, has relatively good links with Iran, as they both share the responsibility of the Strait of Hormuz. Oman has always kept open links with Iran and mediated quietly between Iran and other AGCC States. Kuwait, Bahrain and Qatar exchanged ambassadors in December, 1990, (Bahrain has withdrawn its ambassador in protest to the recent internal problems and its accusation of Iran of interfering in its internal affairs). Ties between Riyadh and Tehran had been improving until they soured again during the 1993 Haj (Pilgrimage) after a disagreement over a demonstration planned by Iranian pilgrims.¹² But since then, the links between the two countries have been improving again, and it seems that the Saudis are ruling out the possibility of Iranian involvement in Al-khubor bombing on June 23, 1995 that killed 19 Americans.

Despite the relatively improved relations between Iran and the AGCC States, There are still many factors unfortunately that strain the relationships between the AGCC countries and Iran. The AGCC States believed that Iran was not only expressing political opposition to the Arab-Israeli peace process, but that it was also financing operations to undermine it. Also, the AGCC States' concerns about Iran's involvement in the internal subversion acts in some AGCC States (Bahrain) carried out by resident Iranian nationals.¹³ Additionally, the AGCC is very concerned about Iran's effort in building up its military capabilities, which

Tehran announced and proceeded to carry out. It is convinced that this effort involves the acquisition of nuclear weapons, the expansion of chemical and biological weapons capabilities, the acquisition of more sophisticated missiles, and the purchase of three modern diesel submarines from Moscow.¹⁴ Iran denies that its military capability is of offensive nature and argues that its arms build-up is simply the restoration of the capabilities destroyed in the eight-year war, and designed to protect the country from external enemies such as the U.S. Also, Iran denies the support of subversion in the AGCC States or elsewhere abroad. On the Arab-Israel dispute it says it represents the true wishes of the Muslims people who mistrust Israel in the negotiations.

Finally, the main problem which continues to strain the relationship between the AGCC and Iran is its occupation of the three islands of Abu Mosa, Greater Tumb and Lesser Tumb. These islands are claimed by U.A.E. The three islands are strategically located at the mouth of Strait of Hurmoz in the Arabian Gulf. They are all very small and Abu Mosa has a small amount of oil, while the two Tumbs have none, but strategically they are very important for both countries.¹⁵

The U.A.E. has been working hard in politicizing and internationalizing the issue of its claims of ownership. U.A.E. claims that they belonged to Emirates of Sharjah and Ras al-Khaimah prior to the formation of the U.A.E. and the Iranian

“occupied” them by force in 1971 when the Emirates were weak. Iran adheres to its official position that *“these islands have always belonged to Iran; the British took them in 1903 and gave them to the Emirates, but returned them to Iran in 1971. These islands are under Iranian sovereignty and if others do not accept this reality that is their problem.”*¹⁶ After the Gulf War, the U.A.E. broke a silence of 21 years and announced claims of ownership over all three islands after Iranian authorities prevented more than 100 people of various Arab nationalities (mainly teachers) from entering Abu Musa in April and September 1991.¹⁷

The U.A.E. was very successful in drawing the Arab and world attention to its claims. The AGCC issued many statements supporting the UAE’s claims. The Arab League has done the same and the U.A.E. officials have brought up the issue in their annual addresses to the UN assembly. Also, the U.A.E. is willing to take the case to the International Court of Justice at the Hague. However, Iran is not willing to accept this proposal and is even not willing to negotiate the “ownership” of the islands. Iran normally issued very strong statements to U.A.E. claims; for example after the December, 1992, AGCC Summit Meeting, Tehran declared that if U.A.E. tried to take the island, it would have to “cross a sea of blood” to do so.¹⁸ Also, the Iranian military presence on Abu Musa remains relatively high and increased in times of tension. It has been confirmed that Iran has deployed

Silkworm Missiles in Abu Musa recently; this action may increase the tension between Iran and U.A.E.

In analyzing the islands' problem it is clear that U.A.E. and the rest of the AGCC States did not intend to provoke a violent conflict in the region, but the AGCC's ultimate political purpose is to send clear signals to Iran and other potential aggressors, indicating that the AGCC states would not be intimidated by any external threats. Remembering the Iraqi invasion of one of its members (Kuwait) in 1990, and seeing Iran building its military forces and talking tough, the AGCC leaders want to draw a line in the water to ensure that Iran or Iraq would not try to encroach any further on AGCC states' territories.¹⁹ Iran does not want the AGCC states to request the assistance of the West to ensure their security and stability. At the same time, its actions toward the AGCC States, including the islands issue and its weapon acquisition programs, do not correspond to Iran's soft and reconciling language that it has been using recently to obtain the trust of the AGCC States. The AGCC States don't want talks - they want positive actions and would like to see confidence building measures taken to reduce the tensions in the region. Reaching a peaceful settlement on the issue of the islands, stopping the interference in the internal affairs of the AGCC States, and reducing its military offensive capability, would be a good start from the AGCC point of view.

3. The Iraqi Threat

Today, after six years of the Gulf War, the AGCC States still consider Iraq as a threat to their security. During the Iran-Iraq war the AGCC States provided Iraq with financial and political assistance, considering that an Arab State fighting a non-Arab neighbor. But when the war ended in 1988, the AGCC leaders had become wary of Saddam's intentions, especially when Saddam Hussein took a strong public position on oil policy and strongly criticized Kuwait and U.A.E. for their policies toward oil prices.²⁰

The AGCC States were hoping that the crushing military defeat of Saddam, Hussein in 1991, would bring an acceptable and more friendly Iraqi government that would respect the sovereignty of the AGCC States and help the Iraqi people to get over the post-war problems. Unfortunately, this did not happen. Six years later Saddam is still in power causing more security threats to his neighbors and creating more human misery for his own people.

The AGCC States in particular are still concerned about possible Iraqi aggression, since an unrepentant Saddam Hussein remains in power and the Iraqi army still has a potential offensive capability of over 2,300 tanks, 4,400 armored vehicles, 1,000 artillery pieces, 120 attack helicopters, 230 transport helicopters, and 300 aircraft. In addition, the strength of the army was placed at some 382,000 men in active service, including four divisions of Republican Guards.²¹

Apart from the military threat, the Iraqi regime could utilize other methods such as subversion or secret agents to destabilize the AGCC States. This is quite possible, but it is unlikely at the present time, due to the severe economic, political and internal security problems in Iraq, which pose a serious threat directly to Saddam, his family, and the Baathist regime. Also, Baghdad has tried to divide the AGCC States by appealing to some states such as Qatar, U.A.E. and Oman and focusing criticism on others such as Kuwait and Saudi Arabia. This technique has not been very successful. The AGCC States realize the long term impact of their division, but they do have different points of view on how to deal with Saddam's regime. It must be clear that the AGCC States have no problems with the people of Iraq, but their problem is with Saddam's regime. Actually, all AGCC States have considerable sympathy with the innocent Iraq people, as fellow Arabs who are suffering from the UN sanctions against Iraq. Some of the AGCC States have called for lifting of the unjustified UN sanctions against the poor people of Iraq who are paying the heavy price of Saddam's aggression.

Some people of the AGCC are blaming the United States for not solving the problem, especially since it is the only superpower in the world. "Some AGCC nationals even privately express their belief that Saddam has stayed in power because the United States wants him there to keep Iraq weak and to serve as an excuse to maintain a U.S. military presence in the Gulf, and to sell arms to rich

AGCC States. Although this theory is doubtful, it is appealing because it is a simple explanation for the complex phenomenon of Saddam Hussein's extraordinary staying power." The AGCC leaders are really in a dilemma regarding the situation in Iraq. They are distressed that the Iraqi people are continuing to suffer with no end in sight.²² At the same time, they don't want to ease the international pressure on Saddam's regime. The people of the AGCC really hope for the downfall of Saddam Hussein to help the Iraqi people and establish a new page with an acceptable Iraqi government.

D. INTERNAL THREAT

The internal threat to the AGCC States is even more serious than the external threat. In this case, the internal threat to the security and the stability of the AGCC countries comes from within the people of the AGCC States, through subversion or through secret agents working within the societies. Also, the internal threat includes the border disputes which is another source of irritation and potential conflict among the AGCC States.

1. Territorial Disputes

The importance of defined boundaries came only after the discovery of oil in the region. Before the oil era, the Arab Gulf States made very little effort to delineate their territories. Arab tribes roamed across the Arabian Peninsula in

search of the need of their flocks. The delineation of borders began with the signing of the first oil concessions in the late 1930s.²³ As was normal practice for the British, they did not define the national boundaries clearly when they left the area, but instead left many opportunities for future contentions among the AGCC States. Most of the AGCC countries have settled their border disputes through peaceful means or on the way to being settled peacefully.

2. Qatar-Bahrain Territorial Dispute

The most critical point of contention among the AGCC States is clearly between Qatar and Bahrain. Qatar claims the island of Huwar and the adjacent small islands, and in return, Bahrain claims al-Zubarah on the northwest coast of Qatar. This is a very old dispute, but was brought to the surface in the last decade. The claims stem from former tribal areas and dynastic struggles of Al-Khalifa in Bahrain and Al-Thani in Qatar. The simmering quarrel reignited in the spring of 1986 when Qatar helicopters removed and “kidnaped” workmen constructing a Bahraini coast guard station on Fasht al Dibal, a reef off the coast of Qatar.²⁴ Saudi Arabia mediated between the two countries and reached a short truce, whereby the Bahrainis agreed to remove the construction on the island. In 1991, the problem flared up again when Qatar decided unilaterally to take the issue to the international Court of Justice in the Hague. Bahrain refused the jurisdiction of the court.²⁵

Also, Bahrain staged an unprecedented boycott of the annual summit of the AGCC which was held in Doha, in early December 1996. It was the first boycott of a summit since the AGCC was formed in 1981. Bahrain stated that it was boycotting the summit to protest Qatar's handling of their disputes over the Huwar islands in the Gulf. Bahrain reaffirmed that its decision was not directed against the AGCC and didn't need to torpedo its work and would remain faithful to AGCC principles and goals. However, the Bahrain decision to boycott the summit in Doha sent a clear signal to the AGCC leaders that unless they intervene immediately to resolve disputes among the member states, the AGCC inaction could destroy all gains the council has made since it was formed fifteen years ago. The action of Bahrain has led the AGCC leaders to appoint a four- member commission for AGCC mediation between the two countries. This decision was taken during the Doha Summit in December, 1996. The commission consists of the foreign ministers of Saudi Arabia (Chairman), Oman, U.A.E. and Kuwait (members). The commission has met a few times and made successful progress in resolving the ongoing dispute between the two members of the AGCC. All media campaigns have been stopped between the two countries to prepare the ground for positive and constructive negotiation.

3. Other Internal Threats

The AGCC states are seriously concerned about violence, terrorism and “extremism” in the region. These issues are a direct threat to the security and stability of the AGCC States. The most serious group is the so-called “Islamist Movement” which is found in most AGCC States. The Security Services in Saudi Arabia, Oman, Kuwait and Bahrain have uncovered secret organizations that are using Islam to cause civil unrest and national disunity in the AGCC States. In many cases, the organizations have external connections, both financial and organizational. Most of their members are political activists belonging to either the Muslim Brotherhood, or other independent organizations. In some of the AGCC States, e.g., Bahrain, Iran was accused of providing political and financial aid for such organizations. The members of these secret organizations are highly sophisticated and their aim is to overthrow the AGCC governments and replace the present ruling system with Islamic Governments.²⁶

For example, in Oman the security services discovered an underground organization, politically motivated and used Islam to cause internal security problems and national disunity. The organization had more than 200 members, all of whom were arrested by the authorities for questioning in May 1994.²⁷ This group was connected to and supported by the Muslim Brotherhood. The announcement of the arrest shocked the Omani society. The general feeling of the

Omani people was of surprise, anger, resentment and even sorrow, because the people of Oman had enough political unrest in the past. The experience of the Dhofar war is still well remembered. The Omanis want to preserve and protect the remarkable achievements made by the people and their government under the wise leadership of His Majesty the Sultan. They want serious economic and social development in order to catch up with what they have missed.²⁸ The organization members were given fair trial. Some of them were found not guilty and released. Others were found guilty and sentenced. A few of them were given the death penalty, but all of them spent a little more than a year in prison because of H.M. generous amnesty.

On the occasion of the country's 25th national day, 1995, the Omani people were surprised again, but this time when His Majesty the Sultan ordered amnesty for all those prisoners who had been convicted of involvement in illegal activities and organizations. This was a magnanimous gesture, particularly to the families of those concerned, which was well received and is typical of the way in which His Majesty has won the hearts of his people by showing tolerance and forgiveness.²⁹ Violence and extremism are strange phenomena in the modern AGCC State societies. By nature, the peoples of the AGCC States don't like violence or aggression, as demonstrated by the reaction of the Omani society to the announcement of the arrest and the wise handling of the issue by H. M. The

Sultan. The base support which is essential for the success of any organization, does not exist, and such organizations do not appeal to the people of the AGCC States. The vast majority of the people of the AGCC States are aware of the teachings of Islam and its basic tenets which reject bigotry. Such organizations have done so much damage to the image of Islam in the world and we have to correct it by showing the true tenets of Islam, its principles and tolerance.

E. THE WEST AND THE AGCC STATES

The west has been involved in the security of the region for many years. However, oil was the primary attraction for the United States, unlike the imperial goals of Britain and France before it. As the British influence gradually declined in the 1960s, the U.S. started to fill the vacuum that was created by the withdrawal of the British. The Truman Doctrine of containment held the Middle East as a strategic region from which the fight against communism could be based. President Carter outlined his doctrine of the Arabian Gulf in the State of the Union Address on January 23, 1980:

Let our position be absolutely clear: an attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.

This is a clear commitment from the U.S. to defend its vital interests in the region and the U.S. has assumed full responsibility to respond to any outside aggressor on the AGCC States. With the loss of Iran as an ally, Saudi Arabia and other AGCC States' strategic position grew in stature.³⁰ The U.S. focuses on two vital interests in the Middle East: first, the security of Israel; second, protecting and ensuring the free flow of oil to the U.S. and its allies in the West. The security of Israel is clearly demonstrated during all Arab-Israel wars, where the U.S. provided unconditional, unlimited and unjustified support for Israel, and the continued supply of military weapons and other goods necessary to fight a war. The Israeli political lobby in the United States showed remarkable influence in pushing the immediate and outright support for Israel's fight against its neighbors.³¹ Moreover, in many cases such support is at the expense of other U.S. strategic interests in the region and the American tax-payers. On the other hand, the oil security principle was reflected explicitly in the reaction of the U.S. and its Western allies to the Iraqi invasion to Kuwait and the formation of Desert Storm Coalition. Logically, as long as the AGCC States are blessed with oil, and Western economies depend on this commodity, these Western countries will always protect the region and will always reformulate a Desert Storm kind of coalition. Additionally, the West has found an excellent market for their weapons

in the Gulf region. This can be seen as the tax that the AGCC States have to pay to the West.³²

The strategic interest of the AGCC States and the U.S. should not be established on a single depleted commodity (oil), but should be based on greater economic and political cooperation, such as increased investment and trades between the U.S. and the AGCC States and the establishment of joint ventures between the American companies and AGCC States national companies. The relation could be advanced by the U.S. providing advanced technology and professional training for the people of the AGCC States, and the AGCC States provide oil and other minerals that the U.S. needs. A positive step has already been taken to establish U.S.-AGCC economic dialogue to promote economic and political ties between the U.S. and the members of the AGCC States. But this is not enough. Additional economic and political ties should be linked to the goals of regional stability and security of the AGCC States.

F. REGIONAL SECURITY ALLIANCES

The security arrangement of the Gulf region is a very delicate and sensitive issue. The AGCC States used to believe in phrases such as, “The security of the region is the responsibility of the countries in the region.” This is of course, including the two major powers in the region, Iran and Iraq. Unfortunately, the

Gulf War in 1990, contradicted this principle and the threat came from one of the major powers (Iraq) in the region. On the other hand, the other major power (Iran) continue to occupy three islands in the Arabian Gulf, continues to interfere in the internal affairs of some of the AGCC States and continues to build an ambitious weapon acquisition program with offensive capabilities.

It is not clear at this point, how the AGCC States can form a military alliance with Iran and Iraq in order to protect the region from potential foreign aggressors, since the AGCC States perceive Iran and Iraq, themselves as potential and serious threats. The experience of the Gulf War in 1991, is still in vivid memory of the people of the AGCC. Inviting a Western power to assist in the security of the region does not please the AGCC States or their people, but they were forced to do so by their big neighbors. The AGCC States paid and are still paying a heavy price for Western protection, but their survival as sovereign states is more important than the cost. The United States has to maintain the military balance in the region until such time as a balance of power is achieved between the AGCC States and other major powers in the region, or until more acceptable regimes come to power in Iran and Iraq who are willing to cooperate but not to dominate the region.

1. The Damascus Declaration

Soon after the conclusion of the Gulf War, the AGCC States formed a coalition with Egypt and Syria (these called AGCC + 2). This was achieved at the Damascus Declaration. The AGCC States were to provide the financial support for a regional security pact, while Egypt and Syria were to provide the manpower to ensure stability. Unfortunately, some of the AGCC States became uneasy at the thought of housing Egyptian and Syrian troops on their soil and asked them to leave soon after the alliance was formed.³³ The alliance still exists but its role in the security of the region is very limited.

2. The Omani Proposal

Also, after the Gulf War, the AGCC leaders asked Oman to prepare a proposal on the future security of the AGCC States. Oman proposed to establish an independent force of 100,000 man joint troops, and the forces command to be rotated among the member countries.³⁴ Oman believed that the AGCC should enhance and develop collective capabilities that would be at least capable to deter, delay, and fight an aggressor until Arab or international assistance arrives, if necessary. The proposed force was to match the Iraqi Republican Guard. Oman believed that a rotating command would enhance the level of commitment among the member states and underscore, politically and symbolically, the collective security aspects of their respective defense effort.³⁵ At the 1993 Saudi Arabia

Summit, AGCC leaders voiced modest support of the Oman proposal and recommended further study.³⁶

The ambitious Omani proposal for a 100,000 strong AGCC Force was to enhance the existing Peninsula Shield Force of 7,000 men on active service and 20,000 pledged. Now it seems that after serious study and consideration, the plan is for 27,000 men on active duty by the year 2000, and greater standardization of equipment and integration.³⁷ Also there has been a decision by the AGCC leaders to include Air force and Navy in the Peninsula shield force, but this has not been activated yet. During the last AGCC Summit in Doha in December, 1996, the AGCC leaders cleared most of the problems over differences of sovereignty and technicalities related to the enhancement of the Peninsula Shield Force and toward building an integrated defense system. The AGCC States possess sophisticated air power capabilities which will play a major role in the AGCC Security arrangement. Also, the AGCC States are building an integrated early warning system that allows information sharing and able to trigger a response if one part of the AGCC States is threatened. At the present time, Saudi Arabia is the only AGCC State to operate Airborne Warning and Control System (AWACS) aircraft capable of monitoring the whole AGCC States and beyond. It is also the only AGCC State with an operational, fully automatic air defensive system. Other AGCC States are enhancing similar defensive capabilities.³⁸ The AGCC countries

are extremely interested in coordinating their arms purchases in order to develop functional compatibility of their weapons systems- a necessary requirement for joint military exercises and operations.³⁹

Finally, a brief assessment of the security of the Red Sea reveals it is important to the stability and the security of the AGCC states especially Saudi Arabia. However, it is not a pressing issue since two friendly Arab states Egypt and Yemen play a major part with Saudi Arabia in the security of the Red Sea.

In summary, the AGCC States must ensure their security through the following security elements. First, they should build their own collective security by enhancing and developing the military capabilities of the Peninsula Shield Force. This will ensure immediate response, increase national prestige, transfer advanced technology, create more employment, and improve international relations. Second, AGCC States should reduce tension and defuse conflict in the region through diplomatic and peaceful means, especially with Iran. Third, internal security and stability are extremely important; and can be achieved through greater political participation, social justice and high rate of economic growth. The strange phenomenon of terrorism, violence and extremism must be rejected and defeated at all costs. Fourth, the imbalance of power that has been created after the Gulf War should be offset by the U.S. The United States should take a less visible role in the security of the region. Establishing permanent U.S.

bases in the AGCC states have proved to be dangerous and become a destabilizing factor. In order to maintain stability, the U.S. has the lift capability to quickly respond to major threats of its allies in the region. The U.S. should assist the AGCC States in building their own military capabilities to act collectively as a new regional stabilizer.

The AGCC States should not base their relation with the west on oil, but rather link it with greater economic and political cooperation. We should aim to create permanent and common interests, such as establishing joint ventures. Fifth, the AGCC policy toward Iraq will probably not change until the demise of Saddam's regime. When that occurs, the AGCC States are likely to reconcile with the new leadership in Baghdad. Sixth, the AGCC States should continue to support the Middle East peace process and encourage both sides to reach a just and comprehensive peaceful settlement.

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IV. ECONOMY

The economic cooperation of the AGCC States is detailed in five official documents. They are the AGCC Charter, the unified Economic Agreement, Common Objectives and Policies for Development plans, the unified Industrial Development Strategy and Common Agricultural policies. All of the five documents are approved by the Supreme Council of the AGCC.¹

The principle of Economic cooperation lies at the root of the formation of the AGCC. According to Abdullah Bischara the first Secretary General of the AGCC, much of the original incentive for the AGCC's formation may have been a security concern, while the main thrust toward its formation was indeed economic. Economic integration and unification in the broadest possible sense are what the AGCC is all about.²

A. THE UNIFIED ECONOMIC AGREEMENT (UEA)

The economic objectives that were set in Article 4 of the AGCC charter is very broad and comprehensive, and required more focus and specific methods to implement and achieve such ambitious objectives. "Therefore, the AGCC leaders signed the Unified Economic Agreement in November 1981, almost immediately after the creation of the AGCC. The Agreement catalogues the details and specifics of Charters' objectives and sets terms to coordinate and unify economic,

fiscal, monetary, industrial and trade policies of AGCC member States in an organized and specific fashion. The ultimate aim of the Agreement is to provide a vehicle for the integration of the economics of the individual six member States into one large regional economy.³ The UEA consists of seven chapters and 28 articles, which are summarized below:

1. Coordinating activities and formulating policies and mechanisms aimed at creating an integrated and well-diversified manufacturing base (Article 12, Item 1).
2. Standardizing industrial legislation and encouraging local production to meet domestic needs (Article 12, Item 2).
3. Allocating industries among member States according to relative advantage and economic feasibility (Article 12, Item 3).
4. Establishing joint ventures among member states in the fields of industry, agriculture and services, and supporting these ventures with public, private and mix capital (Article13).
5. Giving citizens of membership the right to establish commercial, industrial and agribusiness ventures on an equal footing with citizens of a host member state (Article 8).
6. Setting up a common investment strategy and free movement of both labor and capital (Articles 8 and 21).
7. Coordinating training and labor policy and efforts to acquire technology (Articles 14 and 16).
8. Liberalizing trade among member states, including waiving customs duties on interstate trade (Articles 1, 2 and 3).

9. Establishing a common minimum external tariff as a step to unify it with or without the purpose of protecting national products from unfair external competition (Article 4).
10. Coordinating export and import policies, strengthening bargaining power vis-a-vis foreign supplies, and building common strategic food stock (Article 7).
11. Coordinating oil policy throughout all stages of the industry (Article 11).⁴

The AGCC leaders placed heavy emphasis on the economic integration as the principal binding element of the AGCC's program activities and the driving force for the final social and political integration of the organization. The AGCC leaders envisaged that by creating common economic interests for the member States and their people based on effective and sound economic plans, would eventually lead to the ultimate objective of the AGCC, the unification of the AGCC States.

A brief assessment of the Unified Economic Agreement reveals that it nearly includes all components that are essential for successful economic integration between the AGCC States.

Although the various components of the agreement are admittedly ambitious and long-range in nature, it is equally clear that the provisions contain built-in qualifiers regarding their eventual implementation. This point is illustrated by the terms "seek" and "endeavor" used throughout the Agreement in reference to

the unification of vital sectors and policies.⁵ Article 24 of the Agreement addresses this point very clearly by stating “any member states may be temporarily exempted from applying such provisions...as may be necessitated by temporary local situations in that state or specific circumstances faced by it.”

It is important to take into consideration that not all countries in the organization can implement economic policies at equal speed and efficiency. Therefore, Article 24 of the Agreement provides this exception for the AGCC States in implementing AGCC’s economic programs. This flexible strategy allowed the AGCC States to avoid many of the structural problems that normally happen in most regional and international economic organizations. In addition, the gap between the levels of economic development is very small among the AGCC States. However, the Agreement stipulates that “consideration shall be given to differences in the levels of development between the member states and the local priorities of each state.” In practice, however, effort to ensure equal development opportunities in the AGCC’s economic framework is subject to the step-by-step activities of the working committees carrying out the broader objectives of the Agreement.⁶

The AGCC States witnessed a high rate of economic growth and explosive developmental projects in the 1970s and early 1980s due to the high oil prices and the high international demand for oil. High revenue from oil enabled the AGCC

States to embark on massive construction programs ranging from schools to highways. In other words, a complete infrastructure for social services, public services and industrial development was created in very few years. Economically, these new infrastructural necessities for any economic progress and integration played a major role in implementing the Unified Economic Agreement. Actually, the AGCC States have made significant efforts and achieved good progress in integrating their infrastructures and economic activities.

B. ECONOMIC ACHIEVEMENTS

The AGCC States have made significant progress in implementing the Unified Economic Agreement despite the difficulties which are normally associated with regional organizations to achieve common objectives. The economic cooperation and integration progress has been made in many economic areas. Dr. Abdullah I. Al-Kuwaiz, the former Associated Secretary-General divided the economic cooperation into six categories which are summarized below:⁷

1. Adopting Common Regional Strategies and Policies

New official documents have been established to give general outlines, such as the Common Objectives and Policies for Development Plans. There are also documents dealing with specific sectors such as the AGCC Common document

policy and the AGCC Unified Industrial Development strategy adopted in 1985. Two other documents have been drafted that deal with coordination of monetary and fiscal policies and the AGCC transportation policy.

2. Building Institutions and Harmonizing Regulations

In the area of institution building the Gulf Investment Cooperation was created with a capital of more than \$2 billion in 1983. The AGCC organization for Measures and Standard was established in 1984. It was given the sole responsibility of adopting common standards for AGCC imported as well as manufactured goods and following up their implementation. Also, the Gulf Technical Bureau for Communications has been enhanced and expanded to include all AGCC member states. It has been made part of the AGCC Secretarial General and given more power to distribute air frequencies as well as enhancing further cooperation among member states. Additionally, a new office has been established for the registration of industrial property rights and several laws, rules, regulations' standards and procedures have been commonly adopted by all AGCC members, such as: common regulations relating customs, port handling, ship registration and banking inspections, common laws for fertilizer handling, water conservation and preservation for marine life. Common standards for building highways and expressways in the AGCC States and more than fifty other standards adapted by the AGCC's Organization for Measures and Standards.

3. Creating a AGCC Economic Citizenship

This area has been dealt with in Articles 1, 2 and 3 of the Agreement for the free movement of equal treatment of goods. All these Articles have been implemented since 1983. Articles 18 and 20 give citizens of the AGCC the same rights and treatment accorded to those belonging to their own citizens. This was also implemented in 1983.

Article 8 of the Agreement gives all AGCC citizens the same treatment in all member states without any discrimination or differentiation regarding freedom of movement, work and residence, right of ownership, freedom of exercising economic activities and free movement of capital. A number of steps have been taken in implementing Article 8 but we are not there yet. However, equal treatments have achieved in investment in industry, agriculture, fisheries, natural resources, animal husbandry and other service sector projects. Also, equality is awarded in most professional, including accountants, physicians, engineers, economists and a number of others, as well as the equality of property ownership. It is believed that full AGCC economic citizenship and complete equality will take some time but will be achieved eventually.

4. Creating Regional Infrastructures

When discussing the integration of the infrastructures of the AGCC, it should be noted that the member states have built over the last two decades the

majority of the infrastructural necessities of a modern nation. Significant progress has been made in integrating roads, telecommunication, services such as health care, electricity and water. Also, several studies have been made in linking member states' infrastructures and economic activity. This includes the integration of AGCC ports and the need for any expansion, a regional pipeline carrying crude oil from major AGCC oil fields to the Gulf of Oman; a AGCC railroad networks, a major highway connecting all the member states, a high voltage regional electric grid, and an integrated communication system. However, the implementations of such ambitious projects were adversely affected by many factors including the condition of the oil market and the Gulf crisis in 1991. Steps toward integrating these vital infrastructural areas will be made on a priority basis as resources will allow.

5. Developing Joint Venture Projects

Long before the emergence of the AGCC, joint projects were adopted by member states at both Arab Regional and Gulf Subregional level. The formation of the AGCC, however, further stimulated this trend and open new possibilities for the AGCC region. Several manufacturing and agricultural projects have been implemented such as a refractory company, a tire plant, a poultry plant and the production and marketing of agricultural seeds. In the area of transportation, Gulf Air is a clear example which had been established before the creation of the

AGCC, and a Gulf coastal transport company and a land transports company.

Also, the private sector in the AGCC States has been active in establishing joint venture projects with active encouragement of the AGCC Secretariat-General and the financial support of the Gulf Investment Cooperation.

6. Coordinating External Policies

The last but not least of current AGCC achievements is developing some common AGCC member-states position vis-as-vis other countries, regional and international grouping, and multilateral institutions. This includes:

- a. Joint AGCC purchases of essential, commonly imported items to reduce overall cost to AGCC member states by virtue of purchasing larger quantities such as food stuffs and medicines, as well as engaging in export promotions in the form of joint trade and exhibitions abroad.
- b. Joint AGCC approach to regional and international assistance.
- c. Joint approach to regional and international assistance.
- d. Negotiating as group with AGCC trade partners, namely the European Economic Community (EEC), the United States and Japan.
- e. Joint positions and representation in multilateral institutions such as Arabsat, Anmarsat, International civil-aviation organization, GATT and other international organizations.

7. Coordinating Oil Policies

The coordination of oil policies among GGC States cannot be over emphasized, because the oil plays the major role in all AGCC States. The importance of oil will continue for many years to come, since the AGCC States possess over 40 percent of world crude oil reserve and in excess of 60 percent of OPEC's reserve.⁸ A sound and coordinated oil policies therefore, is of paramount importance. It must be noted that Oman and Bahrain are not members of OPEC, but they coordinate their oil policies closely with other AGCC States to maintain AGCC market shares of the international oil market. Also, the AGCC States have been coordinating oil policies within OPEC and playing a leading role in stabilizing oil prices. The stable oil policy benefits other oil producers within OPEC and outside OPEC, as well as oil consumers such as the U.S. and the rest of the industrialized world. The stable oil policies have been successful in maintaining reasonable oil prices, increasing demand, and reducing public demand in the West to develop alternative sources of energy.⁹

In assessing the achievements that have been made, it is obvious that the implementation of the Unified Economic Agreement has made a significant progress in integrating the economic activities of the AGCC Member States. These achievements could not have been made without the ultimate support of the Member States and their strong believes in common interests and destiny. Having

said that however, the implementation of the Unified Economic Agreement with its ambitious goals and far-reaching objectives still has to go along way to achieve its goals of full economic integration among the Member States. There are many challenges and limitations that are faced by the AGCC States which I will discuss fully in the next section, but the important thing is that we have realized those challenges and difficulties explicitly and seek to find a possible solution to resolve them.

C. THE ECONOMIC LIMITATION OF THE AGCC STATES

The AGCC States realize the limitation of their economies. There are many economic challenges that face the AGCC States individually and collectively to prolonged economic growth. These real limitations have been pointed out by Dr. Abdullah El-Kuwaiz and are summarized below:¹⁰

1. The six Member States are overly dependent on the export of crude oil. Although the private sector has increased its shares in the gross domestic product (GDP), but its role in the industrialization process is still below what it should be. Given the AGCC geographic and economic constraints the AGCC States still faces somewhat chronic scarcity of human resources mainly in skilled labor.
2. The AGCC domestic markets are rather limited and scattered. If the AGCC concentrates on international markets, it has to compete vigorously with the well-established manufacturers of industrial countries and other developing countries. They also lack the experience of dealing the very complicated subject of international trade.

3. Other than hydrocarbons, the AGCC States have limited mineral resources and a scarcity of natural water.
4. Although almost all infrastructure facilities are in place in the AGCC States, interconnection among these facilities is very limited. Industrial regulations and legislation, as well as industrial incentive, are different in nature and application in each of the Member States.
5. The AGCC States do not have an indigenous technological base with which to encourage industrial growth and development.

Additionally, The Iraqi-Iran war 1981-1988 and the Gulf War in 1991 destabilized the Gulf region and affected foreign investment and the security of Gulf shipping. However, the AGCC States have been successful in defusing tension and reducing potential conflict in the region, especially with Iran, in order to create a stable and secure atmosphere in the region for economic growth and regional development.

The worldwide economic stagnation in the mid 1980s and the reduction of oil prices during that period and early 1990 adversely affected the AGCC States. This resulted in delaying or halting major developmental projects in the AGCC States. The 1990-91 Gulf crisis did away with most of the reserves in most of the AGCC States and forced Saudi Arabia to borrow from foreign creditors, probably for the first time in the country's modern history. Also, the war cost Kuwait most of its financial reserves from foreign investments that Kuwait had wisely accumulated in its Reserve Fund for Future Generations. Additionally, after the war

Kuwait was left with formidable and costly tasks in rebuilding its oil industry facilities ravaged by Iraq in the course of its August 2, 1990-invasion. Finally, the global economic recession in mid-1980, the decline of oil prices and the Gulf war, presented real economic challenges and created budget deficits in all AGCC States.

Despite the increase in oil revenues due to high oil prices, and high rate of economic growth, most of the AGCC States are still unable to balance their budgets. This situation demonstrated the vulnerability of the AGCC States' economies which remain tied to the fortunes of a single commodity in the international market. However, within the AGCC States, countries were affected differently by the economic recession. The U.A.E. probably suffered the most, while Bahrain because of its modest oil revenues and economic diversifications particularly in the services didn't feel the full brunt of the economic recession.¹¹

The modest experience of Bahrain economic diversification will lead the author to discuss the AGCC States effort to diversify their economy away from oil.

D. DIVERSIFICATION PROGRAMS

1. Why Do We Have to Diversify?

The foregoing discussion of the AGCC States economic challenges and limitations clearly illustrates the necessity to adopt a common and ambitious

diversification programs to diversify the oil based economy away from oil which is subject to the fluctuation of the world price of oil. This was well illustrated in 1986 when there was a sudden and violent decline in oil prices, necessitating aggressive actions such as devaluating the national currency and halting the implementations of vital developmental and social projects. Such action was very uncomfortable for both the AGCC Governments and the people of the AGCC States.

However, the fact is that the economies of the AGCC States are based largely on the extraction and export of a single commodity “oil” which in turn, is derived from a depleting economic base. The depletable nature of oil resource means that each barrel of oil extracted today reduces the number of barrels to be produced in the future by an equivalent amount. This distinguishes oil exporters and, for that matter, exporters of all depletable resources, from exporters of agricultural or manufactured products, since the income or output of the latter is derived from a sustainable economic base.¹² In other words, by producing a barrel of oil today, the wealth of the country is reduced in the future unless the oil revenue is invested carefully into productive domestic or foreign assets.¹³

A simple comparison of a diversified economy to an economy based totally on oil may be useful. In a diverse economy, economic output from agriculture and industry can be expected at a constant level for all future generations as long as the

soil does not deteriorate, capital is replaced and natural disasters do not occur. More likely, if the Capital base is increased through investment and technological change to enhance productivity, output will in fact increase over time. In an economy totally based on the extraction of exhaustible resources, this constancy or growth of a natural product is not assured.¹⁴ In the AGCC States oil is expected to run out within a generation in Bahrain, Qatar and Oman within two generations in U.A.E. and within three generations in Saudi Arabia and Kuwait.¹⁵

2. Uniform Strategy for the Industrial Development (USID)

The Gulf States had realized the seriousness of basing the economies on a single commodity (oil) before the inception of the AGCC. Limited individual and collective efforts were made in this direction. This trend illustrated the commitment of the AGCC States to economic diversification so that the oil and gas-based economy would not be vulnerable to price fluctuation or eventual depletion of oil and gas resources.

The formation of the AGCC in 1981, however, provided the common ground and the forum to discuss the Economic integration as it was one of the main objectives of the AGCC. The issue of economic diversification was extensively and seriously debated and discussed. As a result of such discussions, the AGCC State came to the conclusion in October 1981 to establish the Industrial Cooperation Committee (ICC) composed of the Ministers of Industry of the

AGCC States to establish a USID. The ICC held its first meeting in Riyadh on 21-22 October 1981, and adopted the following resolutions.¹⁶

“The Committee shall establish the basic principles and policies for the Formation of an industrial development strategy for the AGCC States, taking into consideration the conditions prevailing in the area and its nature. The State of Kuwait shall submit a memorandum on this matter to the Secretariat.”

The document on the USID was approved by ICC on 25 September 1985, and approved by the Supreme Council of the AGCC States at its sixth session in Muscat (Oman) on 3-6 November 1985.¹⁷ The ICC established the following basic principles as a strategy for industrial development, which are summarized below:

*a. Basic Objectives of the Uniform Strategy*¹⁸

1. To give impetus to industrialization in all AGCC States.
2. To maximize the contribution of the manufacturing industries in the GNP.
3. To increase the participation of national labor in the industry sector.
4. To narrow the differences in the industrial growth rates of the AGCC States.
5. To achieve an acceptable level of self-sufficiency in the production of manufactured goods in the AGCC States.
6. To create attractive opportunities for investment of financial surpluses and savings of the AGCC States.

7. To bring about the integration of the petroleum and gas sector with other sectors of the economy.
8. To create authentic base for research and applied science and technology.
9. To develop the national resources available with the area and enhance the efficiency of their industrial exploitations.
10. To encourage the establishment of manufacturing industries in rural and less-developed areas.

b. The Priority of the Uniform Strategy¹⁹

The emphasis is placed on the following industries:

1. Industries based on the exploitations and development of local natural resources, including external market-oriented industries.
2. Industries that supply urgent needs in the Gulf markets, including food industries.
3. Development of small and medium size that supply local market needs which technically and psychologically prepare the society of the AGCC States for developing into an industrial society.

c. Incentives and assistance of the Uniform Strategy Based on the Following Criteria

1. Industries already existing in the AGCC States.
2. New industries that would contribute and enhance the success of the existing industries.

3. Modern technology and capital intensive industries, and utilization of locally available energy.
4. Export-industries with high relative benefits.
5. Strategic goods industries, e.g., industries that are important to security.
6. Import-substitution industries with economic of scale that use a high proportion of raw materials in the Gulf region.
7. Industries owned jointly by AGCC Governments or citizens or both.
8. Capital goods industries directed toward Gulf and external markets, particularly Arab and Islamic Market.²⁰

The incentives are provided in the form of technical and training assistance, customs duty and tax exemption and loans on easy terms. Also, the Uniform Strategy provides the tool to protect the infant industries from the outset of the AGCC, and protect local industries - most especially cement, steel, copper and asbestos, as well as encouraging industries such as fiberglass. Additionally, the Uniform Strategy has sought to reduce intra-AGCC competition and duplication of industries through central planning, e.g., stopped the establishment of cement factories (at one stage), because there were enough factories to meet the regional demand.²¹

The Uniform Strategy for the Industrial Development provides the AGCC States with clear and common guidelines to establish industries that focus

on the utilization of local resources and capital-intensive industries. Also, the strategy provides for industrial development among the member states, “suited to potential and conditions of each state,” aimed at narrowing the gap between them. This is yet another example of the compensatory nature of the AGCC economic program.²²

Taking the concept and the guidelines of the USID, I will now apply them to one of the member states (Oman) to show the effort that has been made in this area to diversify the economy. Similar efforts have been pursued in other AGCC States, but for the sake of brevity I will discuss Oman since it is the most familiar state to the author.

The development of local industry in Oman has witnessed tremendous progress recently. The Government-objective is to create additional economy based on private enterprise, and ensuring rapid growth of viable industries, utilizing local resources as much as possible. A Master Plan was prepared at the Ministry of Industry for (1991-2005) period with the assistance of the United Nation Industrial Development organization (UNIDO) and Japan International Cooperation Agency (JICA). The plan projects a growth of above 12.9% per annum during the Fourth Five-year Plan (1991-1995) and around 10% in the Plan (1996-2000).²³

The private sector in Oman plays a leading role on the basis of competition in a free economy. The Government has been very successful in establishing industrial facilities which are purposely built to provide fully serviced industrial estates. In the first phase, the Rusayl Industrial Estate was established in 1983 in the capital area Muscat. The Estate is in all respects fully-serviced with its own power station, fueled by natural gas and its own water supply. By the end of 1985, 13 factories were in production and during the following two years 17 advanced factories were completed. By the beginning of 1994, 62 factories were in production. In the same year 22 were constructed on the Rusyl Industrial Estate.²⁴ The factories in the Rusyl Industrial Estate produce various types of goods such as food stuffs, textiles, aluminum and copper cables, contact lenses, and so forth. The Government policy in Oman is not to concentrate the Industrial Estates or (cities) in one area but to establish them throughout the country in order to provide employment for the locals and to affect development and economic growth in rural areas. Therefore, three other industrial Estates have been created; one in Nizwa (in the interior), one in Sohar (in the north) and one in Raysut (in the South.)

On the Sohar industrial Estate there are currently 12 factories in production and nine other under construction, while at Raysut there are now five factories in production and 13 others are under construction. At Nizwa, Phase 1

(26 hectares) of the infrastructure has been completed.²⁵ Additionally, studies have been made for three more industrial Estates in three major cities, Buraimi in the west, Sur in the east, and Khasab in the extreme north. At the writing of this thesis, three major factories under active consideration which would require capital investment of \$3 billion, namely a Urea Fertilizer plant for the Indian export market, a 360,000 tonnes capacity, Aluminum Smelter and a 260,000 tonnes Petro Chemical Plant.²⁶

Obviously, the AGCC countries are committed to reducing their dependency on oil by investing their oil revenues in establishing industrial cities. This trend was clearly illustrated in Oman's case and the rest of the AGCC States which adopt similar approaches according to each State condition as provided by the Uniform Strategy for the Industrial Development. The AGCC States place great emphasis on oil and gas industries and metal processing industries. These are all energy-intensive industries and natural gas which are available in abundance. Also, refining of crude oil is the most significant oil-based industry in the AGCC States. This industry provides the AGCC states with oil products for energy and industrial uses such as lubrication; it allows them control over the oil business; and it satisfies domestic demands for refined products. Industrialization in general serves several purposes in the development process; which are

diversification and self-reliance, manpower training, income generation and technology transfer.²⁷

The AGCC States have made significant progress in oil-based industries and to less extent in other industries which hold great promise in diversifying their economies away from oil.

3. The AGCC Joint Agricultural Policy

This policy is prepared by the Ministers of Agriculture in the AGCC States during their first meeting on January 10, 1983 and stipulates the following:

In achieving agricultural integration among the council states, according to the unified strategy which is based on the maximum use of available water resources, and provide for food security from National resources, the Secretariat General is commissioned to draw up a draft joint agriculture policy which is self-developing and increases production while encouraging joint projects with the participation of the private sector.²⁸

a. The Basic Parameters for the Joint Agricultural Policy Is Summarized as Follows

1. The policy will be undertaken by means of a unified strategy to achieve economic and social objectives.
2. The policy is aimed at the achievement of agricultural integration among the Council States.
3. The policy is based on the optimum use of available natural resources.

4. The policy must seek to achieve the highest possible levels of self-sufficiency, especially in relation to food commodities.²⁹

*b. The Pivots of the Joint Policy*³⁰

The pivot of joint action for the joint policy requires the balance and harmony in efforts to implement the policy programs which are as follows:

1. Joint programs for the coordination of local agricultural plans and policies.
2. Joint policy for agricultural and food production.
3. Joint program for serving, exploiting and preserving natural resources.
4. Joint programs for agricultural research and technological development.

The joint agricultural policy enables the AGCC States to coordinate their efforts and utilize available resources effectively in a coordinated manner. This policy encouraged and provides with common objectives the AGCC States to move forward individually and collectively with the economic diversification programs on the basis of reciprocal and balanced benefits to the cooperating parties.

A major concern in the AGCC is the regional food security, due to the scarcity of water resources, high salinity in the soil and extremely high

temperatures in most of the AGCC States. Such factors are not conducive and make it very expensive in carrying out extensive agricultural programs. Article 7 of the Unified Economic Agreement stipulates that “Member States will make arrangements to coordinate policies for building up strategic food stocks.” The Food Security issue has been tackled by setting up strategic food reserve stocks in all AGCC States, as well as giving priority in extensive agricultural investment to develop food production capabilities.³¹

The economic diversification program of the AGCC not only put great emphasis on industry, but also allocated large sums on the development of modern agriculture. The strategic objective of the AGCC States was to increase the domestic food production for a growing population, as well as preventing population drift to the urban areas. The strategic importance of “food security” stemmed from fears that food exports to Saudi Arabia (and other AGCC States might some day be cut off by Western countries in order to pressure Saudi Arabia (and the rest of the AGCC States) to change their oil policies, just as declared Arab oil embargo in 1973 was designed to influence Western policies.³²

Within the AGCC States Saudi Arabia and Oman possess the most suitable land for cultivation. However, similar efforts for agricultural development have been made by all AGCC States. Water resources are the critical issue in the AGCC States. We have two conflicting objectives. Increasing cultivated land

would reduce the scarce resources of water. In order to make the best use of the available water resources, a subsidized modern irrigation system is being installed in the rapid increasing local farms, as well as building recharge dams to intercept flood flows in Wadis, which would otherwise run to waste in the sea or inland into the desert. In Saudi Arabia wheat production escalated from 142,000 tons in 1929 to over two million tons in 1984, more than twice domestic requirements. In 1991, wheat production doubled again to four million tons, the excess was given away to some of the poorer Arab States.³³ The Saudis also achieved almost self-sufficiency in other agricultural products, such as dates, eggs, meat, poultry, milk, fruits, vegetables and cereals.³⁴

In Oman, over half of the population is still engaged in the agricultural and fishing industry, and a large number of the populations live in rural villages. Oman was able to achieve nearly 50% self-sufficiency in food production by the end of 1994, with a goal of much higher percentage by the year 2000. The value of agricultural and fisheries production rose from \$44 million in 1970 to \$407 million by 1994.³⁵ Agriculture and fisheries are Oman's main non-oil exports, representing 70% of the country's non-oil export. In 1994, agricultural production totaled around 802,000 tons, of which livestock was about 23,000 and fish production 144,300 tons.³⁶

In light of the above it is clear that the AGCC States have made significant progress in agricultural development of food production and gained maximum productivity of the available water resources. While the diversification of the economies in the AGCC States put greater emphasis on the development of industry and agriculture, heavy spending also has been made in other areas to increase government revenues. This includes the development of quality tourism, especially in U.A.E. and Oman, foreign investment in most AGCC States, but mainly in Kuwait, offshore banking, particularly in Bahrain, corporate taxation in all AGCC States, as well as privatization of most public sector services, such as water and electricity to encourage the private sector which has been playing a major role in the diversification programs. Therefore, it is safe to say that the AGCC States are using the oil revenue to diversify the economy away from oil.

E. HUMAN RESOURCES AND PERSONNEL DEVELOPMENT

The development of human resources is given the top priority in the AGCC States. Huge investment in human capital has been made to improve the skills and the education at all levels and fields of the entire populations.

The AGCC economic and Social Planning Committee composed of the Ministries of Planning in Member States adopted a common strategy for human

resources' development and approved by the Supreme Council in December 1984.

The strategy is summarized as follows:³⁷

1. Objective of the Common Strategy³⁸

- Developing the social, cultural and health standards of the citizens.
- Interacting positively with human thought and culture with a view to acquiring the ability for innovative thought which is in harmony with the teaching of Islam and Arab identity.
- Developing manpower through education and training.
- Achieving population balance in member states which suffer an imbalance in population structure.
- Creating social prosperity ensuring that individual citizens will enjoy the minimum level of a good standard of living within resources endowment in each state.
- Emphasizing social solidarity and mutual support among the societies of the council states.
- Emphasizing qualitative human development.

2. The Policy for Manpower Development³⁹

- Primary and intermediate education for all boys and girls shall be mandatory.
- Identifying beyond the intermediate level those students capable of higher education and those that can be guided toward technical and vocational education.

- Evaluating programs and curricula of University education, especially admission policy.
- Opening suitable field of work for women to enable them to participate in the development process.
- Limiting bursaries to proficient students and those field of specialization identifying as requiring incentives.
- Giving attention to the quality of training by concentrating on the use of advanced technology.
- Output of education and training programs should reflect the qualitative actual needs of the economy.
- A greater concentration on training with the aim of encouraging on the job training.
- Giving paramount importance to libraries and modern information sources.

3. The Policy for Community Development⁴⁰

- Correcting the population imbalance in Member States in order to decrease the percentage of non-nationals to what is required by economic necessities.
- Creating public awareness of the importance of work as a religious and social value, with a view to change attitudes toward certain occupations.
- Increasing the concern for the disabled and introducing programs for their rehabilitation and welfare.
- Providing more care for children and developing their capabilities at all levels.

- Considering the possibility of introducing some basic military training subjects into secondary schools' curricula.
- Expanding anti-illiteracy and adult education programs in order to eliminate illiteracy.
- Giving attention to preventive medical care and health education.
- Increasing the capabilities of individuals to increase their income and standard of living.
- Paying more attention to welfare programs in all fields, especially the youth to develop the physical and mental capabilities of young people.

The above strategy for human resources development is very ambitious and far-reaching. Significant progress has been made by the member states individually and collectively in the above fields.

4. Challenges of Human Resources Development

The AGCC States are very serious about the development of human resources. It is the center of all other developments. Educated and productive population is the real wealth of the nation.

The health care services in all AGCC States are outstanding. Medical services and hospital treatment are provided free of charge to all AGCC's citizens. As a direct result of this, the AGCC States have experienced an unprecedented rate of population growth over the past 25 years, which has created a wholly new demographic structure. This led all AGCC States to adjust their plan accordingly

to accommodate the requirements of the new generation in terms of education, employment and other services.

The total population of the AGCC States is around 25.9 million, comprising 17 million nationals and 8.9 million expatriates. Average indigenous population growth is around 3.5%. Fertility rates are 3.9 in Bahrain, 4.8 in Qatar, 5.6 in Kuwait, 6.7 in Saudi Arabia, and Oman and U.A.E. around 7.8. The average infant mortality rate is 35 deaths per thousand live births in all AGCC States. Death rates have fallen less than five per thousand.⁴¹

The high growth rate led to a very youthful population structure. 42% of total population is estimated to be under 15 years of age while only 4% is over 60 years old.⁴² This demographic change means that a high dependency ratio of non-earners on earners and on the State, and even more importantly for the immediate future, a large number of indigenous work force will enter the marketplace later this decade. Therefore, serious and careful planning must take place now, to make maximum utilization of the available indigenous human resources. Gradual replacement of expatriate workers who occupy many millions of jobs in the AGCC States must be initiated. There is no shortage of jobs in the near future if the nationals develop and create the right attitude toward the replacement of expatriates. This should be the objective of all AGCC States.

The replacement of expatriates should not be at the expense of efficiency. Specific education and training must be planned and implemented to make the gradual transition successful. Certain amount of expatriates will have to be maintained for economic and security necessities, as the AGCC States use high-tech equipment which requires highly skilled labor. Likewise, the youngsters now entering the labor market are far better educated than their parents' generation, a sign of the achievements of the AGCC education systems.

Unfortunately, the oil boom period in the 1970s created a dependent society in most AGCC States. The Governments shared the oil wealth with the people, without realizing this approach would create unproductive society. In turn, the society became wealthy and relied on the Governments to provide money and foreign labors to do both skilled and unskilled workers. Such approach created many social and economic problems such as creating social culture that relies on others to do the private sectors' work. The level of this unhealthy phenomenon varies largely among the AGCC States depending on the level of wealth of the society in each member State. This unpleasant experience which should be eliminated from the AGCC Societies has created a mentality of unwillingness to work in the private sector, reluctance toward certain occupations and the widespread preference for secure government employment.

The achievement in education and training in the AGCC States is indisputable. Education takes the top priority, but are we producing the right mix with the right quality and the correct skills that meet the demands of modern economy? I will discuss this issue later in the next subsection.

5. Efforts to Nationalize the Work Force

The effort to nationalize or localize the labor force is evident in all AGCC States' development plans. The boom period of the 1970s is over, the condition of the oil market is not stable and the diversification programs are still in the early stages, and their contribution to the total revenue is limited. The fact is that, the AGCC Governments no longer can afford to offer jobs in the public sector for the majority of their citizens. Careful plans and priorities are made to allocate the scarce available financial resources in order to maximize returns on the long term.

Therefore, the private sector in the AGCC States should play a major role in employing nationals with the assistance of the Government. However, there are many problems that must be overcome to achieve these goals. This includes the nationals' mind set of preferring secure and government jobs with more convenient working hours and attractive pay scale, as well as reluctance to accept certain jobs in industry and construction. From the employer point of view, nationals are too expensive to employ and can't be made redundant as easily as expatriates. According to a study by the Saudi-based National Commercial Bank,

private sector employers will rely on expatriates until nationals “acquire the right technical skills, change their attitude toward manual work, and adjust their wage expectations to the realities of the marketplace.”⁴³

In order to assist the private sector to employ nationals and to encourage the nationals to take up employment in the private sector, the present situation of cheaper and mere qualified foreign labor must be changed. Expatriates should be made more expensive and nationals must be made more qualified, more skillful and more aware of the demand and supply reality of free market economy. To make the nationals more qualified, all AGCC Governments have been implementing massive nationalization programs, such as the “Saudiization,” “Omanization” and “Qatarization” programs to replace expatriate workers with nationals. For the sake of brevity I will discuss the Omani experience with the Omanization program.

The primary objective of the Omanization plan, which was introduced in 1991, is to replace expatriates with qualified and trained Omanis in public and private sectors. In public sector, a sum of \$50 million was allotted in the 1991/95 development plan to the Omanization Plan.⁴⁴ Detailed arrangements have been made for designing and implementing training programs to qualify Omanis for the job they will hold. They are trained to work closely with expatriates for six months to two years, to gain practical experience and develop their skills. This

Omanization process ensures that the trainees have the necessary experience to enable them to perform efficiently and effectively.⁴⁵ The target for Omanization Plan (1991-1995) was 72% excluding the Ministries of Health and Education, which employ more than three-quarters of the expatriates in public sector. By mid-1995 the target has been exceeded and 85% Omanization has been achieved.⁴⁶

In the private sector the Government follows similar Omanization plans and it is progressing steadily. The Government provides rewarding opportunities for both the Omanis who work in the private sector and the firms that employ nationals. On 1991, the Supreme Committee for Vocational training decided to pay owners of private companies that employ Omanis compensation equal to a proportion of the salaries and allowances paid to their employees for a period up to three years.⁴⁷ Also, the Government stipulated a fixed Omanization ratio in six areas of private sectors to be achieved by the end of 1996. Transport, storage and communication are to have 60% Omanization, finance, insurance and real estate 45%, industry 35%, hotel and restaurant 30%, wholesale or retail trading 20% and contracting 15%.⁴⁸

Additionally, it is important to note that much of the Omani banking sector has been Omanized. Finally, most AGCC made it more expensive by raising visa and renewal fee of work permits, but this does not solve the entire problem of the foreign labor force. The AGCC States still have to coordinate their efforts to

reform the education system and more importantly to change the nationals' attitude toward working in the private sector.

6. Education Reform

Employers complain that the education systems are turning out national workers with inappropriate or inadequate skills. There are simply not enough skilled and qualified nationals and the standard of English is low. There are also shortages of vocational and technical training establishments.⁴⁹ Overall, the education systems in the AGCC states require comprehensive reform to create a skilled labor force capable of handling new industrial technologies and other technical skills required for modern economy.

Despite the enormous effort by the AGCC states in the area of education, the questions are being raised to whether quantity is being matched with quality. The AGCC Governments recognize this problem and are striving to reform their training and education systems to address the quality problem to ensure a better fit between the quality and the quantity of job seekers and the economy needs but this goal is still far away from achievement. The ultimate aim should be to provide world class training and education system with great emphasis on vocational education. Also, the education reform should be re-engineered to achieve the following:

1. To ensure love and respect for work and self-reliance and to encourage initiative, creativity, and positive attitude toward labor and vocational training.
2. To reduce general offerings in the curriculum and to concentrate instead on Arabic and English languages, and on the sciences and technological field.
3. To strengthen citizenship education and the feeling of national belonging.
4. To develop an aptitude for thinking, meditation, reflecting rather than rote memory and regurgitation.
5. Rectify teachers through competency tests and enhance the ability of school administrators through further training and development.
6. To encourage students to pursue self-education.
7. To provide an atmosphere of academic freedom that would allow for independent scholarly research and exchange of ideas without fear of restriction.
8. Encourage women to take up employment in social work, teaching, nursing and even banking to solve the manpower problem.
9. Encourage teachers to keep up with research in their fields and to specialize in certain levels and fields of education.⁵⁰

To this could be added the introduction of computers at all levels of education including the primary level. Also, the introduction of Internet system at all AGCCs' universities and collages which is a very useful tool in the quest for "true" knowledge. The exchange of teachers and school administrators among AGCC States cannot be overemphasized due to the importance of exchanging

knowledge, experience and ideas in the field of education between the AGCC States. The overall objective is to create a AGCC individual that is well qualified for the job he is trained for, and capable of giving and receiving criticism in his field, and able to handle the problems effectively and efficiently.

In summary, the economic cooperation and integration play the major role in binding the AGCC States together. The Unified Economic Agreement (UEA) is the pivotal point in the economic cooperation. It is ambitious and has a far-reaching impact on the success of the AGCC. The AGCC States made significant progress in implementing the common policies of the UEA, but full implementation still remains a common goal that must be achieved in the future. The AGCC States must move away from the oil based-economies. They must maximize the returns from oil to diversify their economies away from oil and base their economies on sustainable resources. Diversification programs in industries and agriculture have made good progress but still face certain challenges such as lack of qualified indigenous labor force and lack of sufficient under ground water resources. Human resources' development is the top priority in the AGCC States, but the education systems need a radical reform to meet the demands of the modern economies that the AGCC States are seeking to establish.

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V. CONCLUSION

The Gulf Cooperation Council (AGCC) represents both a model for development and unity in the Arab world and a working example of interstate cooperation.¹ The AGCC is the first regional organization in the modern Arab world aside from the Arab League which was formed in 1946. The Charter of the AGCC was carefully drafted to be compatible with the Arab League's objectives and inspirations.

At the time of the foundation of the AGCC in Abudhabi in 1981, there was a great deal of speculation about what was actually being founded. Many saw it as a regional defensive alliance, some saw it as a regional grouping reflecting differences among members with the Arab League. Others saw it as more positively as an attempt to bring the Arab Gulf States together in order to keep them closer and more united. Also, there were even those who felt that it was yet another group without any significant role to play.²

The AGCC, however, soon proved itself that it was a successful regional organization with the primary goal of formalizing and enhancing political, economic, security and social cooperation and integration among its Member States. In fact, its strategies and attitudes promote unity and brotherhood in the region.³

Many people and organizations in the West perceive the AGCC as a security organization, with primary goals of military cooperation. This is largely due to the circumstances and the timing during which this organization was created. The establishment of the AGCC in 1981 coincided with three main events in the late 1980s; the Iranian Revolution, the Soviet invasion of Afghanistan, and the Iran-Iraq War. In fact, in 1981, security cooperation was not even mentioned as one of the basic objectives of the AGCC. None of the six specific areas of cooperation under paragraph three of Article Four of the AGCC Charter touches on security.⁴ The focus was mainly on economic, political, and social forms of cooperation. The reason for this was to reduce the opposition to the creation of the new organization, or to be perceived as a threat to any of the AGCC's neighbors, since the AGCC did not include all countries in the Gulf region.

The success of the AGCC States in binding its member states together during difficult times such as the Iran-Iraq War 1980-1988, and the Gulf War (1990-1991) must be defended and praised. Right from the beginning, the AGCC states were determined to make the AGCC a viable organization and to prove that all ill-predictions were wrong. Also, they were well aware that similar regional organizations in this volatile area, such as the short-lived Arab cooperation council (ACC), have failed to live up to the ideas of their founders.

Many factors contributed to the success of the AGCC. The AGCC States share more common characteristics than any other group in the region. This is reflected in the Arabic language, Islamic religion, similar (if not identical) economic, political, social systems as well as a common history. This is coupled with a strong sense of common destiny as well as the members' awareness that only in combination do they possess a proper viability as a political and demographic independent entity in today's world.⁵

The citizens of the AGCC have placed high hopes in the AGCC, especially its role as a vehicle for comprehensive, social, economic, cultural development and effective regional stability and security.⁶ It is true that the AGCC has not yet met all the expectations of the citizens of its Member States, but through the AGCC individual States, they have been able to achieve collectively what they are unable to achieve individually. For example, they have benefited from trade negotiations as a group with the AGCC main trade partners, namely the European Economic Community (EEC), the U.S. and Japan. Also, they have saved large resources by making joint AGCC purchases of essential, commonly imported items to reduce cost to AGCC Member States, by buying large quantities, for example, foodstuffs and medicines.⁷

The AGCC effort to build a strong and united Arabian Gulf through the organization is highly appreciated by the citizens of various member states.

Within the AGCC collective interest is seen as more important than the individual one.⁸

The AGCC is seriously concerned about violence, terrorism, and extremism within the AGCC States. The Security Services in most AGCC States uncovered secret organizations with external connections that are using Islam to achieve political ends, and cause civil unrest and disunity in the AGCC States.⁹ Since its inception, the AGCC has been promoting harmony, tolerance in accordance with Islamic teachings, and understanding among its own people and people from other religions and cultures. By nature, the people of the AGCC States don't like violence, and extremism is seen as some strange phenomenon. In fact, such organizations have attracted no public support and rather, treated as a sick minority.

However, in order for the AGCC to succeed further, the AGCC States must address difficult problems and meet major challenges, such as security, the nature of the economy, the massive foreign labor force, the small size of skilled indigenous labor force and the limited political participation in the decision making process. We should be bold enough to recognize our problems and make concerted efforts to solve them.

The high population growth rate as well as the decline of the oil prices in the international market have resulted in slow economic growth, low domestic

expenditure, fewer developmental projects, and have cut into government's employment. The governments of the AGCC States' measures to rationalize government spending to reflect the reality of the economies have caused tensions in some societies of the AGCC States. The citizens of the AGCC must adapt to the new reality and forget about the oil boom period in the 1970s.

Each AGCC State has practiced and succeeded in social, political and economic aspects, but each State has its own distinctive method of achieving and succeeding than others in implementing certain policies and programs. Therefore, each country has much to offer to adapt a collective strategy for their common interests and prosperity. For example, the rest of the AGCC States should acquire Bahrain's economic philosophy in diversifying its economy; from Oman, the strategy of surviving with low level of foreigners, high quality of training and work commitment, and its courageous step in solving its border disputes with all its neighbors; from Saudi Arabia, mass industrialization and the continuation of running the country with the Islamic laws and values; from the political participation of Kuwait; the love and care of the U.A.E. government of their people;¹⁰ as well as the dynamic and drastic changes of policies to improve efficiency in the public sector and freedom of the press in Qatar.

RECOMMENDATIONS

1. Economic growth and progress are only possible in an atmosphere of stability and security in the region. Therefore, the AGCC States must reduce tension and defuse potential conflicts in the region. Potential problems with Iran and Iraq should be settled through diplomatic and peaceful means. Undoubtedly, the AGCC States, Iran and Iraq suffered greatly from Iran-Iraq war in 1980-1988, and the Gulf War in 1991. By the end of the two wars, all countries in the region were losers. The actual winners were Israel and the weapons industry in the West and around the Globe. We must understand that it is in the interest of some countries to keep the region under continuous turmoil.

2. The AGCC States must enhance and build their own collective security by developing and improving the military capabilities of the existing (Gulf) Island Shield Force. This will not only ensure immediate military response, but will provide a much needed delay to potential aggressors. The AGCC States should not count on a Desert Storm- kind of response from the West in the future, especially if the Western interest in the region declines. The AGCC States are confronted with such security threats because of its enormous economic resources. The U.S. should keep at low a profile in any security arrangements with the AGCC States, and assist the AGCC States in building their own military capabilities to act collectively as a new regional stabilizer.

3. The AGCC States should not base their relations with the West in general and the U.S. in particular on a single commodity (oil), but rather link it with greater economic, political and cultural cooperation. We should aim to create permanent common interests such as joint ventures, common universities established in the Gulf, cultural centers in the AGCC States and the U.S. as well as increased investment and trade between the U.S. and the AGCC States. Positive steps in this direction have already been taken to establish U.S.-AGCC economic dialogue to promote economic and political ties.

4. The AGCC States are a moderate force in this hot spot region of the World. The Arabs have accepted the peace process in the Middle East as their strategic choice in reaching a just and comprehensive peaceful settlement in the region, based on the principle of "Land for Peace" to settle the Arab-Israeli conflict. The AGCC has been very supportive of the peace process. The AGCC States should continue to encourage both sides to reach a just and lasting settlement that is acceptable by all parties. Events have proved that there is a direct link between security and stability in the Middle East and in World stability. Solving the Palestinian question, which is the center to all other problems in the Middle East, and establishing just and comprehensive peace would be highly conducive to a more stable international order.

5. Disagreement and differing points of view of certain issues, such as relations with Iran do exist within the AGCC member States, but such disagreements are natural in any healthy regional organization. The important thing is that differences should not be allowed to widen the gap between member States. Emotional and heated statements serve no purpose except to anger individuals and push the member states further apart.¹¹ This situation was clearly reflected in the strained relations between two of the AGCC Member States (Qatar and Bahrain) in late 1996, over a very old border dispute. This led the AGCC to appoint a four-member commission for AGCC mediation between the two countries which has been very successful. In order to succeed, we must organize ourselves and put our own house in order. The AGCC must have a firm grasp of existing problems such as border disputes. We should clearly state what the problems are, how serious they are, and what possible solutions are available to us. This is no place for high-flown yet meaningless courtesies. Go direct to the point and attempt to solve the problem from the center.¹² It will be very disappointing and frustrating for nationals of the AGCC States after the recent and unpleasant experience between Qatar and Bahrain, if the AGCC States continue to push for petty claims against each other. Unity and common cause must be the objective of all concerned.

6. Oil revenues have enabled AGCC States to carry out explosive developmental programs and have built the majority of the infra structural necessities of modern nations. Today, the economies of the AGCC States are still largely oil-based, which are subject to the fluctuation of world oil prices. Diversification programs in all AGCC States have been under implementation for many years, especially in the fields of industry and agriculture, but their contribution to the national income is still limited. Further aggressive diversification programs of the economies in the AGCC States are no longer an option, but a necessity. Additional foreign trade and investment, as well as quality tourism and corporate taxation, should be encouraged. The efficiency and capability of the private sector must be enhanced to play major roles in the diversification effort. A specific percentage of oil revenues should be invested and saved as as National Strategic Reserve. The AGCC State must maximize the returns from oil to diversify their economies away from oil and base them on sustainable resources.

7. The Unified Economic Agreement (UEA) is the heart of the economic cooperation. The AGCC States have made significant progress in implementing the common policies of the UEA. Full implementation, however, still remains a goal in the future. The citizens of the AGCC place great expectations and high hopes on seeing the UEA fully implemented. This would eventually lead to the establishment of a common AGCC Market in the Arabian Gulf as

well as establishing a common currency and exchange rate, which will not only simplify business transactions throughout the AGCC but will stabilize the AGCC basic monetary unit on the world market.

8. Human resources development has been the center of all other development in the AGCC States, but there is still a lack of a skilled indigenous labor force. Therefore, investment in human capital should be the objective and the priority in all AGCC States. The large foreign force must be gradually replaced with well-qualified nationals in both the public and private sectors. Women should be encouraged to take up employment in suitable fields, such as education, health and social work. The AGCC States have a youthful population. 40 percent is under 15 years of age. A large number of the indigenous work force will enter the marketplace later this decade. Therefore, serious and careful planning must take place now, to maximize utilization of the much needed indigenous human resource.

9. Despite the enormous effort and achievement of the educational system in the AGCC States, the educational and training systems need radical reform. The educational system should be reengineered to put greater emphasis on vocational education and training as well as on the sciences and technological fields. We must understand technological education has become essential to meet

modern day economic challenges and contributes successfully to national development. The educational system should meet the demands of the modern economies that the AGCC States are seeking to establish.

10. The Shura Councils (National Consultative Councils) in the AGCC States have given the citizens of the AGCC States the opportunity to take part in the decision making process in their countries. The Shura Councils are the most suitable forms of political participation in the AGCC States, because they are accepted by both the traditional and the liberal societies of the AGCC States. However, this is only as the first step toward gradual political participation of the AGCC citizens in the political system of their countries. For the future of the AGCC, its success, and the political stability of its governments; the legislative capacity of the Shura Councils should be expanded. The people of the AGCC States must feel part of the effort.

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APPENDIX A. THE ARAB GULF COOPERATION COUNCIL CHARTER

The States of
United Arab Emirates
State of Bahrain
Kingdom of Saudi Arabia
Sultanate of Oman
State of Qatar
State of Kuwait

Being fully aware of their mutual bonds and special relations, common characteristics and similar systems founded on the Creed of Islam; and based on their faith in the common destiny and destination that link their peoples; and in view of their desire to effect coordination, integration and cooperation among them in all fields; and based on their conviction that coordination, cooperation and integration among them serve the higher goals of the Arab nation; and in order to strengthen their cooperation and reinforce their common links and in an endeavor to complement efforts already begun in all vital fields that concern their peoples and realize their hopes in a better future on the path to unity of their states; and in conformity with the Charter of the League of Arab States which calls for the realization of closer relations and stronger bonds; and in order to channel their efforts to reinforce and sense Arab and Islamic causes have agreed as follows:

ARTICLE ONE

Establishment of Council

A council shall be established hereby to be named "The Cooperation Council for the Arab States of the Gulf," hereinafter referred to as the "Cooperation council."

ARTICLE TWO

Headquarters

The Cooperation Council shall have its headquarters in Riyadh, Saudi Arabia.

Cooperation Council Meetings

The Council shall hold its meetings in the state where it has its headquarters, and may convene in any member state.

ARTICLE FOUR

Objectives

The basic objectives of the Cooperation Council are:

1. To effect coordination, integration and cooperation between member states in all fields in order to achieve unity among them.
2. To deepen and strengthen relations, links and scopes of cooperation now prevailing between their peoples in various fields.
3. To formulate similar regulations in various fields including the following:
 - a. Economics and Finance,
 - b. Commerce, customs and communications,
 - c. Education and culture,
 - d. Social and health affairs,
 - e. Information and tourism,
 - f. Legislation and administrative affairs.

To stimulate scientific and technological progress in the fields of industry, mineralogy, agriculture, water and animal resources; to establish scientific research centers; to implement common projects, and to encourage cooperation by the private sector for good of their peoples.

ARTICLE FIVE

Council Membership

The Cooperation Council shall be formed of the six states that participated in the Foreign Ministers' meeting held at Riyadh on February 4, 1981.

ARTICLE SIX

Structures of the Cooperation Council

The Cooperation Council shall have the following main structures:

1. Supreme Council to which shall be attached the Commission for Settlement of Disputes.
2. Ministerial Council.
3. Secretariat-General.

Each of these structures may establish branch organs as necessary.

ARTICLE SEVEN

Supreme Council

1. The Supreme Council is the highest authority of the Cooperation Council and shall be formed of heads of member states. Its presidency shall rotate alphabetically according to the names of the member states.
2. The Supreme Council shall hold one regular session every year. Extraordinary sessions may be convened at the request of any member seconded by another member.
3. The Supreme Council shall hold its sessions in the territory of member states.

4. A Supreme Council meeting shall be considered valid if attended by two thirds of the member states.

ARTICLE EIGHT

Supreme Council's Functions

The Supreme Council shall endeavor to achieve the objectives of the Cooperation Council, particularly concerning the following:

1. Review matters of interest to the member states.
2. Lay down the higher policy for the Cooperation Council and the basic lines it should follow.
3. Review the recommendations, reports, studies and common projects submitted by the Ministerial Council for approval.
4. Review reports and studies which the Secretary-General is charged to prepare.
5. Approve the bases for dealing with other states and international organizations.
6. Approve the rules of procedure of the Commission for Settlement of Disputes and nominate its members.
7. Appoint the Secretary-General.
8. Amend the Charter of the Cooperation Council.
9. Approve the Council's Internal Rules.
10. Approve the budget of the Secretariat-General.

ARTICLE NINE

Voting in Supreme Council

1. Each member of the Supreme Council shall have one vote.
2. Resolutions of the Supreme Council on substantive matters shall be carried by unanimous approval of the member states participating in the voting, while resolutions on procedural matters shall be carried by a majority vote.

ARTICLE TEN

Commission for Settlement of Disputes

1. The Cooperation Council shall have a commission called "Commission for Settlement of Disputes," which shall be attached to the Supreme Council.
2. The Supreme Council shall form the Commission for every case separately based on the nature of the dispute.
3. If a dispute arises over interpretation or implementation of the Charter and such dispute is not resolved within the ministerial Council or the Supreme Council, the Supreme Council may refer such dispute to the Commission for Settlement of Disputes.
4. The Commission shall submit its recommendations or opinion, as applicable, to the Supreme Council for appropriate action.

ARTICLE ELEVEN

Ministerial Council

1. The Ministerial Council shall consist of the Foreign Ministers of the member states or other delegated Ministers. The Council's presidency shall rotate among members every three months by alphabetical order of the states.

2. The Ministerial Council shall convene every three months and may hold extraordinary sessions at the invitation of any member seconded by another member.
3. The Ministerial Council shall decide the venue of its next session.
4. A Council's meeting shall be deemed valid if attended by two thirds of the member states.

ARTICLE TWELVE

Functions of the Ministerial Council

The Ministerial Council's functions shall include the following:

1. Propose policies, prepare recommendations, studies and projects aimed at developing cooperation and coordination among member states in the various fields and adopt required resolutions or appropriate recommendations.
2. Endeavor to encourage, develop and coordinate activities between member states in all fields. Resolutions adopted in such matters shall be referred to the Ministerial Council for further submission, with recommendations, to the Supreme Council for appropriate action.
3. Submit recommendations to the Ministers concerned to formulate policies whereby the Cooperation Council's resolutions may be put into action.
4. Encourage means of cooperation and coordination between the various private sector activities, develop cooperation between the member states' chambers of commerce and industry, and encourage flow of working citizens of the member states among them.
5. Refer any of the various facets of cooperation to one or more technical or specialized committees for study and presentation of relevant proposals.

6. Review proposals related to amendments to this Charter and submit appropriate recommendations to the Supreme Council.
7. Approve the Ministerial Council's Rules of Procedure as well as the Rules of Procedure of the Secretariat-General.
8. Appoint the Assistant Secretaries-General, as nominated by the Secretary-General, for a renewable period of three years.
9. Approve periodic reports as well as internal rules and regulations related to administrative and financial affairs proposed by the Secretary General, and submit recommendations to the Supreme Council for approval of the budget of the Secretariat-General.
10. Make arrangements for the Supreme Council's meetings and prepare their agendas.
11. Review matters referred to it by the Supreme Council.

ARTICLE THIRTEEN

Voting in Ministerial Council

1. Every member of the Ministerial Council shall have one vote.
2. Resolutions of the Ministerial Council on substantive matters shall be carried by a unanimous vote of the member states present and voting, and on the procedural matters by a majority vote.

ARTICLE FOURTEEN

Secretariat-General

1. The Secretariat-General shall be composed of a Secretary-General who shall be assisted by deputies and a number of staff as required.
2. The Supreme Council shall appoint the Secretary-General, who shall be a citizen of one of the Cooperation Council states, for a period of three years which may be renewed for one time only.

3. The Secretary-General shall nominate the assistant secretaries-general.
4. The Secretary-General shall appoint the Secretariat-General's staff from among the citizens of member states and may not make exceptions with the approval of the Ministerial Council.
5. The Secretary-General shall be directly responsible for the work of the Secretariat General and the smooth flow of work in its various organizations. He shall represent the Cooperation Council with other parties within the powers vested in him.

ARTICLE FIFTEEN

Functions of the Secretariat-General

The Secretariat-General shall undertake the following functions:

1. Prepare studies related to cooperation and coordination, integration and programs for member states' common action.
2. Prepare periodic reports on the Cooperation Council's work.
3. Follow up the implementation by the member states of the resolutions and recommendations of the Supreme Council and Ministerial Council.
4. Prepare reports and studies ordered by the Supreme Council or Ministerial Council.
5. Prepare the draft of administrative and financial regulations commensurate with the growth of the Cooperation Council and its expanding responsibilities.
6. Prepare the Cooperation Council's budgets and accounts.
7. Make preparations for meetings, prepare agendas and draft resolutions for the Ministerial Council.

8. Recommend to the Chairman of the Ministerial Council the convening of extraordinary sessions of the Council whenever necessary.
9. Perform any other tasks entrusted to it by the Supreme Council or Ministerial Council.

ARTICLE SIXTEEN

The Secretary-General, the assistant secretaries-general and all members of the Secretariat-General's staff shall carry out their duties in complete independence and for the common interest of the member states.

They shall refrain from any action or behavior that is incompatible with their duties and from divulging the secrets of their jobs either during or after their tenure of office.

ARTICLE SEVENTEEN

Privileges and Immunities

1. The Cooperation Council and its organizations shall enjoy on the territories of all member states such legal competence, privileges and immunities as required to realize their objectives and carry out their functions.
2. Representatives of the member states on the Council and the Council's employees, shall enjoy such privileges and immunities as are specified in agreements to be concluded for this purpose among the member states.

A special agreement shall organize the relations between the Council and the state in which it has its headquarters.

3. Until such time as the two agreements mentioned in item 2 above are prepared and put into effect, the representatives of the member states in the Cooperation Council and its staff shall enjoy the diplomatic privileges and immunities established for similar organizations.

ARTICLE EIGHTEEN

Budget of the Secretariat-General

The Secretariat-General shall have a budget to which the member states shall contribute equal amounts.

ARTICLE NINETEEN

Charter Implementation

1. This Charter shall go into effect as of the date it is signed by the heads of the six member states named in this Charter's Preamble.
2. The original copy of this Charter shall be deposited with Saudi Arabia's Ministry of Foreign Affairs which shall deliver a true copy thereof to every member state pending the establishment of the Secretariat-General at which time the latter shall become depository.

ARTICLE TWENTY

Amendments to Charter

1. Any member state may request an amendment to this Charter.
2. Requests for Charter amendments shall be submitted to the Secretary-General who shall refer them to the member states at least four months prior to submission to the Ministerial Council.
3. An amendment shall become effective if it is approved unanimously by the Supreme Council.

ARTICLE TWENTY-ONE

Closing Provisions

No reservations may be voiced with respect to the provisions of this Charter.

ARTICLE TWENTY-TWO

The Secretariat-General shall arrange to deposit and register copies of this Charter with the League of Arab States and the United Nations, by resolution of the Ministerial Council.

This Charter is signed on one copy in Arabic at Abu Dhabi City, United Arab Emirates, on 21 Rajab 1401 corresponding to May 25, 1981.

United Arab Emirates
State of Bahrain
Kingdom of Saudi Arabia
Sultanate of Oman
State of Qatar
State of Kuwait

APPENDIX B. THE UNIFIED ECONOMIC AGREEMENT

With the help of God the Almighty;

The Governments of the member states of the Gulf Cooperation Council; in accordance with the Charter thereof, which calls for closer cooperation and stronger links; and, desiring to promote, expand and enhance their economic ties on solid foundations, in the best interest of their peoples; and, intending to coordinate and unify their economic, financial and monetary policies, as well as their commercial and industrial legislation and customs regulations, have agreed as follows:

CHAPTER ONE TRADE EXCHANGE

ARTICLE 1

- a. The member states shall permit the importation and exportation among each other of agricultural, animal, industrial and natural resource products that are of national origin.
- b. All agricultural, animal, industrial and natural resource products that are of national origin shall receive the same treatment as national products.

ARTICLE 2

1. All agricultural, animal, industrial and natural resource products that are of national origin shall be exempted from customs duties and other charges having equivalent effect.
2. Fees charged for specific services such as demurrage, storage, transportation, haulage or unloading, shall not be considered as customs duties when they are levied on domestic products.

ARTICLE 3

1. For products of national origin to qualify as national products, the value added ensuing from their production in members states shall

not be less than 40% of their final value. In addition, the share of the member states' citizens in the ownership of the producing plant shall not be less than 51%.

2. Every item to be exempted hereby shall be accompanied by a certificate of origin duly authenticated by the government agency concerned.

ARTICLE 4

1. Member states shall establish a uniform minimum customs tariff applicable to the products of third countries.
2. One of the objectives of the uniform customs tariff shall be the protection of national products from foreign competition.
3. The uniform customs tariff shall be applied gradually within five years from the date of entry into force of this agreement. Arrangements for the gradual application shall be agreed upon within one year from the said date.

ARTICLE 5

Member states shall grant all facilities for the transit of any member state's goods to other member states, exempting them from any duties and taxes, whatsoever, without prejudice to the provisions of Paragraph 2 of Article 2.

ARTICLE 6

Transit shall be denied to any goods that are barred from entry into the territory of a member state by its local regulations. Lists of such goods shall be exchanged between the customs authorities of the member states.

ARTICLE 7

Member states shall coordinate their commercial policies and relations with other states and regional economic groupings and blocs with a view toward creating balanced trade relations and favorable circumstances and terms of trade.

To achieve this goal, the member states shall make the following arrangements:

1. Coordinate export/import policies and regulations.
2. Coordinate policies for building up strategic food stocks.
3. Conclude economic agreements collectively when and if the common benefit of the member states is realized.
4. Work for the creation of a collective negotiating force to strengthen their negotiating position via-a-vis foreign parties in the field of importation of basic needs and exportation of major products.

CHAPTER TWO MOVEMENT OF CAPITAL, CITIZENS AND EXERCISE OF ECONOMIC ACTIVITIES

ARTICLE 8

The member states shall agree on the executive rules which would ensure that each member state shall grant the citizens of all other member the same treatment granted to its own citizens without any discrimination or differentiation in the following fields:

1. Freedom of movement, work and residence.
2. Right of ownership, inheritance and bequest.
3. Freedom of exercising economic activity.
4. Free movement of capital.

ARTICLE 9

The member states shall encourage their respective private sectors to establish joint ventures in order to link their citizens' economic interest in the various spheres.

CHAPTER THREE COORDINATION OF DEVELOPMENT

ARTICLE 10

The member states shall endeavor to achieve coordination and harmony among their respective development plans with a view to achieving economic integration between them.

ARTICLE 11

1. The member states shall endeavor to coordinate their policies with regard to all aspects of the oil industry including extraction, refining, marketing, processing, pricing, exploitation of natural gas, and development of energy sources.
2. The member states shall endeavor to formulate unified oil policies and adopt common positions vis-a-vis outside world, and in the international specialized organizations.

ARTICLE 12

To achieve the objectives specified in this Agreement the member states shall perform the following:

1. Coordinate industrial activities, formulate policies and mechanisms aiming at the industrial development and the diversification of their productive bases and on integrated basis.
2. Standardize their industrial legislation and regulations and guide their local production units to meet their needs.
3. Allocate industries among member states according to relative advantages and economic feasibility, and encourage the establishment of basic as well as ancillary industries.

ARTICLE 13

Within the framework of coordination, the member states shall pay special attention to the establishment of joint ventures in the fields of industry, agriculture and services, and shall support them with public, private or mixed capital in order to achieve economic integration, productive interfaces, and common development on a sound economic basis.

CHAPTER FOUR TECHNICAL COOPERATION

ARTICLE 14

The member states shall collaborate in finding spheres for common technical cooperation aimed at building a genuine local base founded on encouragement and support of research and applied sciences and technology as well as adapting imported technology to meet the region's progress and development objectives.

ARTICLE 15

Member states shall set rules, make arrangements and lay down terms for the transfer of technology, selecting the most suitable or introducing such changes thereto as would serve their various needs. Member states shall also, whenever feasible, conclude uniform agreements with foreign governments and scientific or commercial firms to achieve these objectives.

ARTICLE 16

The member states shall formulate policies and implement coordinated programs for technical, vocational and professional training and rehabilitation at all levels and stages. They shall also upgrade educational curricula at all levels to link education and technology with the development needs of the member states.

ARTICLE 17

The member states shall coordinate their manpower policies and shall formulate uniform and standardized criteria and classification for the various categories of occupations and crafts in different sectors in order to avoid harmful

competition among themselves and to optimize the utilization of available human resources.

CHAPTER FIVE TRANSPORT AND COMMUNICATION

ARTICLE 18

The member states shall accord means for passenger and cargo transportation belonging to citizens of the other member states, when transiting or entering their territory, the same treatment they accord to the means of passenger and cargo transportation belong to their own citizens, including exemption from all duties and taxes, whatsoever. However, local transportations are excluded.

ARTICLE 19

1. The member states shall cooperate in the fields of land and sea transportation, and communications. They shall also coordinate and establish infrastructure projects such as seaports, airports, water and power stations, roads, with a view to realizing common economic development and linking their economic activities with each other.
2. The member states shall coordinate aviation and air transport policies among them and promote all spheres of joint activities at various levels.

ARTICLE 20

The member states shall allow steamers, ships and boats and their cargoes, belonging to any member state to freely use the various port facilities and grant them the same treatment and privileges granted to their own in docking or calling at the ports as concerns fees, pilotage, and docking services, haulage, loading and unloading, maintenance, repair. storage of goods and other similar services.

**CHAPTER SIX
FINANCIAL AND MONETARY COOPERATION**

ARTICLE 21

The member states shall seek to unify investment in order to achieve a common investment policy aimed at directing their internal and external investments towards serving their interest, and realizing their peoples' aspirations in development and progress.

ARTICLE 22

The member states shall seek to coordinate their financial, monetary agencies and central banks, including an endeavor to establish a common currency in order to further their desired economic integration.

ARTICLE 23

Member states shall seek to coordinate their external policies in the sphere of international and regional development aid.

**CHAPTER SEVEN
CLOSING PROVISIONS**

ARTICLE 24

In the execution of the Agreement and determination of the procedures resulting therefrom, consideration shall be given to differences in the levels of development between the member states and the local development priorities of each. Any member state may be temporarily exempted from applying such provisions of this Agreement as may be necessitated by temporary local situations in that state or specific circumstances faced by it. Such exemption shall be for a specified period and shall be decided by the Supreme Council of the Gulf Cooperation Council.

ARTICLE 25

No member state shall give to any non-member state any preferential privilege exceeding that given herein.

ARTICLE 26

- a. This Agreement shall enter into force four months after its approval by the Supreme Council.
- b. This Agreement may be amended by consent from the Supreme Council.

ARTICLE 27

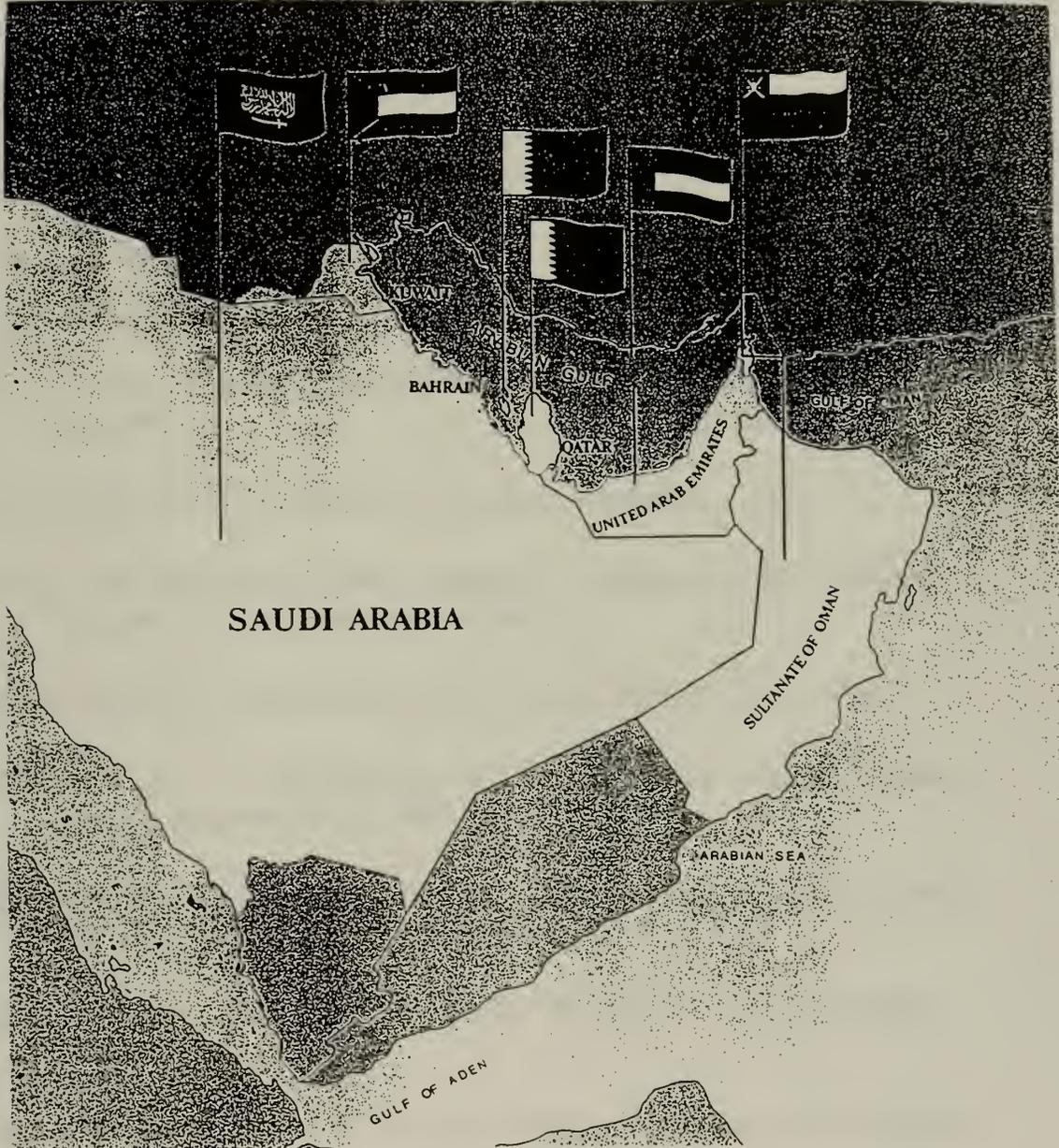
In case of conflict with local laws and regulations of member states, execution of the provisions of this Agreement shall prevail.

ARTICLE 28

Provisions herein shall supersede any similar provisions contained in bilateral agreements.

Drawn up at Riyadh on 6 Sha'ban 1401 Corresponding to June 8, 1981.

APPENDIX C. MAP OF THE AGCC STATES



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