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GCC union is a lofty aspiration

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The structural, political and socio-economic challenges of Gulf states are diverse and internal

By Mishaal Al Gergawi, Special to Gulf News
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In response to a question on Saudi King Abdullah Bin Abdul Aziz's recent call for a GCC union during an interview with Al Arabiya last week, Ahmad Al Sa'adoun, Kuwait's newly elected parliament speaker, opined that while further cooperation is necessary it was important to recognise state-state differences.

Pressed further by the anchor, he memorably said that it was difficult for Kuwait to enter a union with a state with thousands of prisoners of conscience. While official reactions have been muted, Kuwaiti nationals and Gulf activists hailed Al Sa'adoun's comments as brave and sincere.

Other reactions on social media and private majlises ranged from criticising the act to criticising its timing. Those in urgent favour of the union colourfully evoke the ‘Safavid' encroachment and the winds of the Arab Spring.

As to the Iranian threat and without even taking the recent sanctions into consideration, the Islamic republic is on the brink of economic collapse. Its oil production has been steadily decreasing due to lack of infrastructure investment, its inflation rate is just below 20 per cent and Iranian friends tell me the cost of a kilogram of meat there is now in excess of $20 (Dh73.40).

Throw in the beginning of the end of the Syrian regime (as a dominant sovereign player in the region at least) and the absence of any substantiated and material involvement in Bahrain, it is clear that Iran couldn't be further from being a genuine military threat, a la Saddam 1990. As to the question of the nuclear bomb, a GCC union could have no bearing on that; only sanctions and the ominous Israeli-American strike.

Economic imperatives

As for the Arab Spring, it is clear that the respective structural, political and socio-economic challenges of each Gulf state are both varied and largely internal. A union that would aim to thwart the urgency of addressing such challenges would only exacerbate the options at hand and buy little time in return.

A union that would attempt to jointly address those challenges would most likely spend more time attempting to understand the very diversity of those national challenges than actually addressing them.

So this leaves the economic imperatives for such a union. According to a 2011 GCC report, 2009 inter-Gulf trade was $15.5 billion, approximately 25 per cent of all Gulf states' total trade. While these numbers are exaggerated by inflation and re-export flows, there are significant inter-Gulf trade relations; think aluminium from Bahrain and the UAE, petrochemicals from Saudi and steel from Qatar. There is also the overdue prospect of a common market of 35 million people.

In the second edition of the Sir Bani Yas Forum, an annual conference held by the foreign ministry of the UAE, a prominent European financier explained that the architects of the European Union were very well aware that a European monetary policy with initially 11 national fiscal policies was not practical.

However, national referendums on a single European treasury in the late nineties would have never passed and quite possibly united eurosceptics, ultra-nationalists and conspiracy theorists against the euro itself. The architects were well aware that the, now infamous, 3 per cent deficit guidelines were hopeful at best.

In fact, they foresaw the crisis that would eventually force the EU members to accept a fiscal union — they just didn't expect it to be this catastrophic. The European Financial Stability Facility (EFSF) is in effect the forbearer of the European Treasury. The recently agreed on Golden Rule (governments to only borrow for investment purposes and not to fund current spending) is an example of a post-crisis consolidated EU.

The tale of the EU has sovereignty written all over it.

And while it seems that the EU is an attempt to realise Immanuel Kant's ‘perpetual peace' by economically entrenching a multi-ethnic people so that they may fight no more wars, loss of effective sovereignty now seems inevitable.

The lesson from the EU is clear: with questions of the long-term dominance of the US dollar — to which all except Kuwait are pegged — approaching a monetary union without fiscal transparency let alone alignment could be disastrous. While debt to GDP ratios of GCC states aren't high, the more serious questions of economic alignment relate to unemployment, role of government in the economy and economic diversification in anticipation of the post-oil era.

A two-day workshop hosted by the GCC secretariat ended yesterday in Riyadh with academics and analysts on the prospects of such a union. Dr Abdulkhaleq Abdullah, Emirati political science professor, tweeted from the sessions that a single union was impossible, a federal state was difficult and that a gradual transition was the way forward. By the next day, the group had agreed that the GCC as a structure would not be altered but symbolically renamed Gulf union.

The most difficult expectations to manage are one's own. The GCC states uniformly suffer from a tendency of hasty overreactions to overdue issues. Since sovereignty is non-negotiable, a political union is out the question.

If enhancing security is the goal, the GCC should transform its Peninsula Shield into an Arab Nato; Jordan and Morocco would fit better there. Finally, if economic sustainability is the goal, the GCC should establish a commission that effects the historic 2008 common market agreement and work from there. While commendable, the GCC union remains a lofty aspiration. Let's focus on realistic imperatives.

Mishaal Al Gergawi is an Emirati current affairs commentator. You can follow him on Twitter at www.twitter.com/algergawi