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RESEARCH BULLETIN

Gulf Research Center Knowledge for All

This issue of the Gulf-Asia bulletin covers a wide range of topics that encompass the different aspects of burgeoning Gulf-Asia relations in the political and economic spheres as well as the opening of new avenues in other areas which is expected to take the relationship to a higher level. The Gulf countries' relations with India, China, Japan, Australia as well as Afghanistan and Pakistan are analyzed. The importance of developing closer relations on the political and socio-cultural fronts as well as increased co-operation in the areas of security and counter terrorism is stressed.

The Asian states' proximity to the Gulf States and their dependence on oil imports from the region has shaped the political and economic dynamics of their relations. With the increasing demand for sustained energy supply in the context of the rapid economic growth of Asian giants China and India, the oil-producing Gulf States would need to focus on ensuring long term secure energy supplies. The article on Japan's relations with the Gulf States looks at the specifics governing these relations and makes recommendations for expanding ties into other sectors besides energy. The article on Gulf-China ties notes that hindering further growth in economic ties between China and the Gulf States is China's reluctance to open its markets except in some sectors. Though the GCC states have been engaged in furthering their relationship with several Asian countries, their links with Australia have been affected by the lack of high-level and regular contact between the respective political leadership.

Also in focus in this issue are the GCC's relations with Afghanistan. Though some GCC companies like Etisalat and Air Arabia attempted to launch operations in Afghanistan, the security situation in the country proved to be a deterrent. However, because of the strong Afghan expatriate presence in the Gulf States it would be beneficial to both Afghanistan and the Gulf States to develop this relationship.

On the security front, the threat to Pakistan emerging from the Taliban-al Qaeda nexus in its border areas with Afghanistan has escalated over the past few months. The situation in Waziristan, which affects not only Pakistan but also stability in Afghanistan, could have an impact in the wider region. Though geographically separated, both Iraq and Afghanistan are testing grounds for US policies and these could have political and economic costs for the regional states.

It is hoped that the varied perspectives on the diverse themes dealt with in this bulletin will provide a comprehensive understanding of issues that could have a significant influence in shaping future Gulf-Asia political, economic and security ties.

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In This Issue

November 2007 Issue No 3

China-GCC: Lots of Trade, Little Investment

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Nowadays, China hype is all over the place. It is taken for granted that the “workshop of the world” is about to become the globe’s most prominent economic power and its unlimited growth is expected to stay on a seamless path. The GCC countries are no exception; one does not have to search for long to find a pundit or an executive talking about a ‘Look East’ policy or a ‘new Silk Road.’ The dramatic increase in trade between China and the GCC seems to justify such talk; however, a look at the ramifications of the Chinese growth model and the low level of cross-border investments raise some important questions.

Trade between China and the GCC increased ten fold between 1995 and 2005, and the trend seems likely to continue. China’s bilateral trade with the GCC has jumped to $21 billion in the first six months of 2006, registering a 34 per cent growth over the corresponding period last year. The Chinese share in GCC trade is 6.1 percent (2006), 5.3 percent on the export side and 7.6 percent on the import side. Thus, it is still considerably behind the US, the rest of Asia as a whole and especially the EU (see figure), but its relative importance has increased tremendously. China is delivering to the GCC manufactured goods like electronics, machinery and textiles, while the GCC exports energy and raw material that China needs for its ambitious industrialization drive: crude oil, petrochemicals, fertilizer and aluminum.

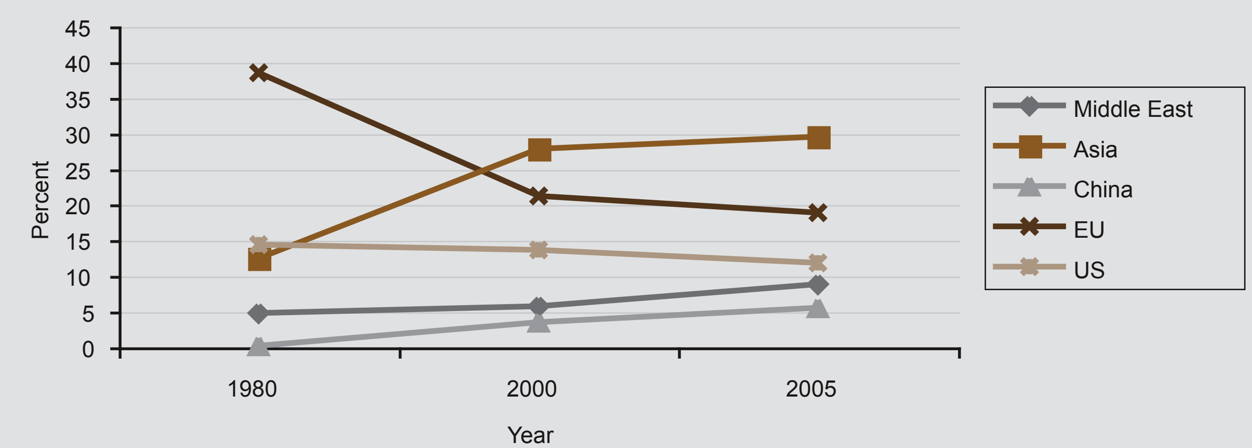
China is a net oil importer since 1993 and now needs to import 40 percent of its requirements with dependence growing. The same is true for various raw materials ranging from copper to iron ore and timber. China has rapidly expanded its economic engagement in Africa in order to secure supplies of raw materials, with major investments in Sudan, Angola and Nigeria. The GCC countries have come into its focus as well and given the rise in trade relations, one would expect a similar rise in importance when it comes to cross-border investments. However, this is not the case due to the prevalence of portfolio investments in Western securities markets and relative inaccessibility of both markets for FDI from the other side due to protective considerations on the national level and international power politics.

Detailed bilateral FDI data for China and the GCC are not available. According to the Chinese Ministry of Commerce, however, China and the GCC countries signed accumulated projects worth $6.6 billion and contracts of labor services of $1.03 billion by the end of 2005. GCC countries made contractual investments of $1.04 billion, and actual allocated investment was $710 million. FDI, however, plays only a minor role in GCC foreign investments when compared to portfolio investments. The Institute of International Finance (IIF) estimates that between 2002 and 2006, only 11 percent of GCC foreign investments went to Asia, 11 percent to other MENA countries while nearly 80 percent flowed into Western securities markets. The Chinese financial markets are still at an early stage of their development, with limited investor protection and small market capitalization. The capitalization of its stock market, for example, equals less than 2 percent of the ones in the US or Europe respectively and its currency is not even fully convertible.

Given such limitations, cross-border investments naturally focus on FDI. As about two-thirds of GCC countries’ energy exports go to Asia, their investment interests have focused on refining and storage capacity to develop stable customer relationships. Saudi Aramco has taken up 25 percent stakes in multi-billion refinery projects in Qingdao and Fujian in the last two years. Kuwait Petroleum Corporation, on the other hand, has signed a joint venture with Sinopec to develop the $6.3 billion project of the Guangdong refinery. But moving beyond refining, broad-based GCC strategic investments in China are rare so far. Prince Talal Al Waleed and the investment authorities of Kuwait and Qatar have invested in the IPOs of State Bank and Commercial Bank of China and there have been some investments in real estate, but the majority of GCC FDI has flown to Europe in recent years, followed by other MENA countries and the US. Hopes for increased cross-border investments received a considerable blow when Saudi petrochemical giant SABIC announced in 2006 that it was considering withdrawing a planned investment of $5 billion because it felt that the Chinese side was stalling negotiations. While China is eager to conquer world markets for its manufactured goods, it seems to be less happy about opening its own markets except for the necessary raw materials and energy fuels to power its ambitious industrialization drive.

Not surprisingly, Chinese investment interest in the GCC has focused on the energy and commodities sector like in Africa and elsewhere. Sinopec has got a license for natural gas exploration in the Empty Quarter of Saudi Arabia, and Chinese NFC and state owned SINOMACH envisage a $5 billion aluminum project with a Saudi partner in Jizan Economic City, although it remains to be seen whether the project will overcome existing environmental and political concerns. Nakheel and its Chinese partner Chinamex have built the Dragon Mart in Dubai, the largest distribution hub for Chinese goods outside mainland China. While the Dragon Mart project looks promising given the world-wide success of Chinese manufacturing, advances in the energy sector face severe limitations. Due to national strategic priorities, GCC countries have mostly closed their upstream oil sector to foreign participation. Only a few projects in the UAE, Qatar and the Neutral Zone are accessible, but here Western international oil companies (Exxon, Chevron, Shell) have a strong standing, and it is unlikely that the Chinese side will be able to get a foot in the door.

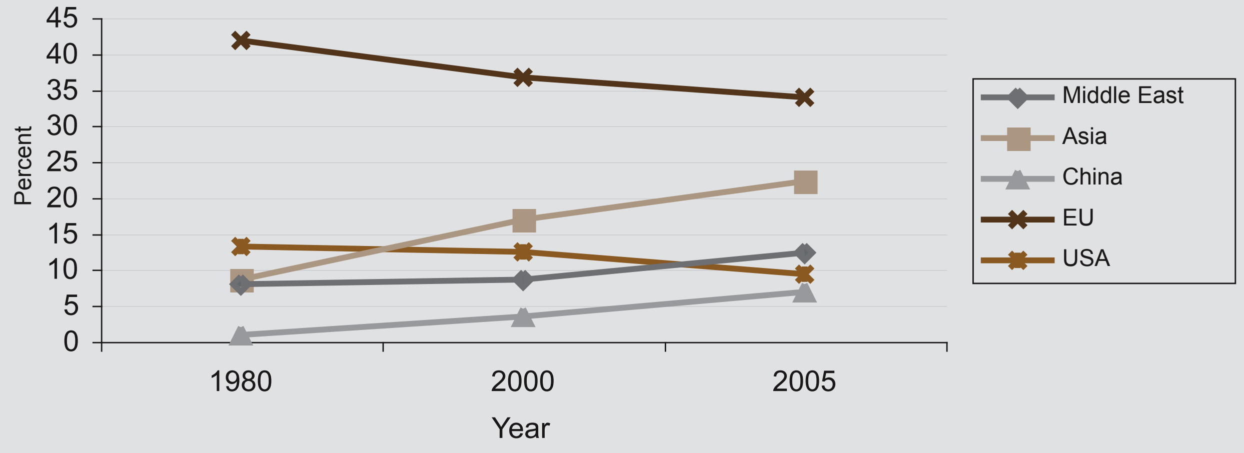
Figure 1: GCC Exports Relative Share



Oil is a strategic commodity since the British navy switched from coal to oil on the eve of World War I, and political influence is indispensable to acquire oil-related contracts. But it is not the Chinese navy that is patrolling the Strait of Hormuz and guaranteeing security of transport routes in this sensitive part of the world. Apart from a delivery of short range missiles to Saudi Arabia over 20 years ago, it also has not managed to conclude arms deals in the region. The latter are often linked to political backroom deals and kickback payments, and crucial to acquire strategically equally important oil deals. Another stumbling block for an increased Chinese engagement is its close relationship with Iran which is increasingly perceived as a threat by the Arab Gulf countries. Although China finally supported nuclear program related sanctions against Iran in the UN Security Council, it has envisaged several high profile energy deals with Iran. Besides, Iran has observer status in the Shanghai Cooperation Council, a loose consultation body between Russia, Central Asian republics and China.

Thus, so far China has had to be satisfied with Sino-

Figure 1: GCC Imports Relative Share



pec's gas license in the Empty Quarter, a deal whose economics was not enticing enough for many Western IOCs which withdrew from the bidding process leaving the field to energy companies with presumably overarching political interest of their home countries (Sinopec, Lukoil) or smaller ones desperate for reserve replacement (Repsol, ENI).

Cross-border investments are therefore a highly politicized issue in the case of the oil-rich GCC countries. The influence of economic factors is further diminished as both partners currently do not need each other's capital: China as well as the GCC countries command huge current account surpluses and cannot accommodate additional investment monies. Against the backdrop of global financial imbalances, every dollar invested with each other finally ends up in the US anyway to finance the US deficit. A structure that led the New York Fed recently to speak of "indirect petrodollar recycling."

Given the steep increase in trade and China's accelerating energy hunger, it is possible though that the country will become more assertive and that its cross-border investments will increase together with a growing political role. China will need to give something to the GCC countries in exchange, however, and open its markets to rapidly expanding GCC industries in the fields of petrochemicals, aluminum and fertilizer. While things unfold, it will be interesting to watch how China's ambitions face stiff resistance from vested Western interests in the region.

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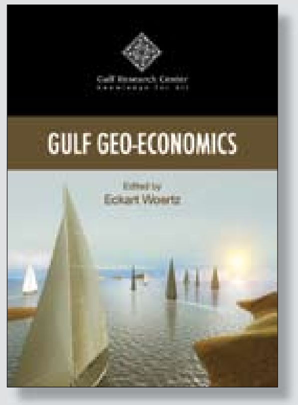
Gulf Geo-Economics
Edited by Eckart Woertz



The integration of the Gulf Cooperation Council (GCC) countries into the world economy is increasingly multifaceted. Although oil and gas revenues are still of paramount importance, the GCC countries have developed a diversified economic structure with new sectors emerging in the fields of petrochemicals, heavy industries and services. Apart from new import requirements for these industries, the focus of the GCC's trading relations has moved eastwards. The US only accounts for 10 percent of imports nowadays while the European Union and Asia each roughly contribute one third of overall imports. Furthermore, Asia purchases about two-thirds of GCC energy exports. This has naturally raised questions about potential political realignments although Asia still lags far behind Western markets in terms of cross border investments.

Gulf-Asia Interdependence: Exploring the Energy Dimension

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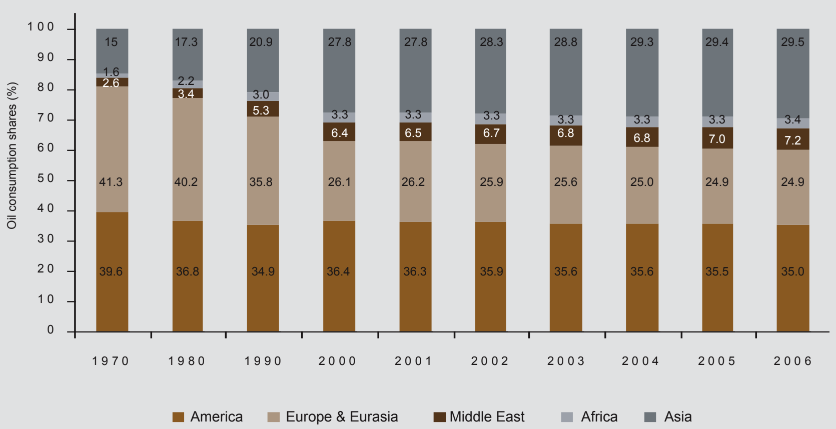
GRC

Introduction

The Gulf [1] region and the Asian [2] region constitute the two strategic building-blocks of the current global energy regime. The Gulf region, having lost its niche export market share in the industrialized West, is poised to regain global market salience on the basis of sheer low-cost reserve profligacy; the Asian region, on the other hand, has become the global demand hotspot due to its growth-induced spiraling consumption of almost every form of energy, and oil and gas in particular. Asia's skyrocketing energy consumption coupled with overwhelming import dependence on the strategically located Gulf region and simultaneously the Gulf region's vital long-term export dependence on dynamic Asia, has come to dominate contemporary discourse on the geopolitics of global energy security. Hypothetical scenario building by analysts on the basis of this development from the nightmarish scenario of an 'Islamic-Confucian' conspiracy that may trigger a catastrophic geopolitical shift to a benign cooperative 'interdependent framework' of consumers and producers which seeks to address mutual vulnerabilities pertaining to interdependent energy security. Nevertheless, the energy dimension is at the heart of evolving Gulf-Asia interdependence that is not only redefining economic engagements, but also reshaping bilateral as well as regional geopolitical configurations. This article explores the fundamental connotations of the energy dimension and proposes a strong case for institutionalizing interdependence through a market-based functional framework (cooperative competition [3]) among Gulf oil producers and Asian consumers in a win-win proposition.

Figure 1:
World Oil Consumption by Regional Share (%)



Background and Outlook

Over the years, the global oil market has undergone substantial transformations owing to the cyclical and seasonal trends of the global economy. The most significant trends of the contemporary global energy regime are: the pattern of energy transformation, whereby natural gas's share in the world's primary energy mix is increasing and that of oil is declining; the increasing importance of the major Asian economies in the global oil and gas consumption on account of their burgeoning economic growth; and the entry of a number of non-OPEC oil and gas producers in the global oil and gas market, which has eroded the market share of the OPEC producers, especially those in the Gulf.

During the period 1970-2007, world's oil consumption grew at an average of 1.6 percent annually. The two oil crises during the 1970s had the gravest impacts on the advanced industrialized countries: oil consumption in Europe dropped significantly (by almost 20 percent) and now stands at around 970.1 million tons including increase in consumption by transition economies of the Eurasia region. On the other hand, over the same period, the Middle East, Africa and developing Asia had not been oil-dependent so much as severely hit by the oil crises and they experienced phenomenal increase in oil consumption (see Table 1 and Figure 1).

However, world consumption of natural gas shows different trends (see Table 2). Because natural gas is produced nearer to consuming areas (i.e. lesser trade) as compared to oil, natural gas production trends are akin to its consumption patterns. The share of North America in world's natural gas consumption, which was 66.9 percent in 1972, fell drastically to 31.8 percent in 2006,

Table 1: World Oil Consumption by Region, 1970-2006 (million tons, MT)

	Africa	America	Asia	Europe & Eurasia	Middle East	World Total
1970	35.2	892.2	338.9	930.1	57.9	2,254.3
1980	66.4	1,094.3	515.3	1,197.4	101.7	2,975.1
1990	93.8	1,102.1	660.5	1,128.9	168.6	3,153.8
2000	116.2	1,295.4	989.9	927.9	226.9	3,556.2
2001	116.2	1,298.5	992.2	934.3	231.4	3,572.6
2002	117.5	1,295.9	1,020.4	933.0	239.9	3,606.6
2003	120.1	1,309.0	1,057.3	940.6	248.3	3,675.3
2004	124.1	1,356.9	1,118.2	953.7	260.7	3,813.7
2005	127.9	1,369.3	1,133.4	960.0	270.7	3,861.3
2006	130.5	1,361.1	1,148.0	970.1	280.1	3,889.8

Note: America refers to North, South and Latin America combined. Source: GRC based on BP, 2007.

Table 2: World Natural Gas Consumption by Region, 1970-2006 (Mtoe)

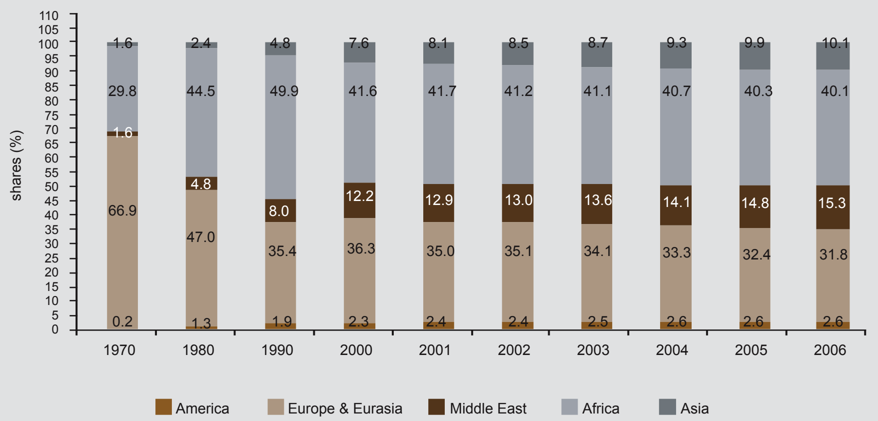
	Africa	America	Asia	Europe & Eurasia	Middle East	World Total
1970	1.5	607.9	14.1	270.8	14.6	908.9
1980	16.6	615.5	63.4	583.7	31.8	1,311.0
1990	34.3	634.3	142.8	894.7	86.0	1,792.1
2000	49.6	796.6	268.0	912.1	166.9	2,193.2
2001	53.2	774.8	284.6	923.0	178.6	2,214.1
2002	54.1	801.5	296.1	941.0	193.6	2,286.3
2003	58.6	797.7	318.6	963.4	203.4	2,341.8
2004	62.6	811.8	342.3	991.1	227.5	2,435.3
2005	64.6	815	370.6	1,012.8	249.1	2,512.2
2006	68.2	820	394.7	1,031.7	260.3	2,574.9

Source: GRC based on BP, 2007.

1 The Gulf region consists of Iraq, Iran, and the six GCC members (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE).
2 The Asian region in this article consists of the countries of all sub regions in Asia such as South, South East and North East.
3 This is the buzzword of 'open regionalism' which provides level playing field for all stakeholders to compete and have a fair share of the pie.

or registered a decline of more than half of the 1972 level. On the other hand, in a reflection of advancing oil-to-gas shifts, the share of Europe and Eurasia in the world's natural gas consumption rose from 29.8 percent in 1972 to 40.1 percent by 2006. Developing countries of Asia, the Middle East, and Africa which held 1.6 percent, 1.6 percent, and 0.2 percent share in 1972, respectively expanded to 15.3 percent, 10.1 percent, and 2.6 percent, respectively by the year 2007 (see Figure 2).

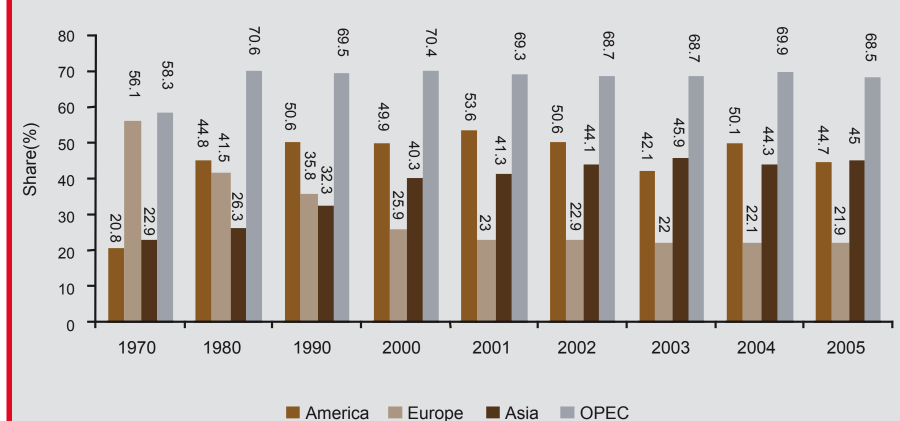
Figure 2:
World Gas Consumption by Regional Share (%)



About 60 percent of the world's total oil output is exported. In other words, about 60 percent of oil consumption is covered by imports. Of oil imports/exports, crude oil accounts for 76.7 percent and petroleum products the remaining 23.3 percent (2007). It is the US and the rest of consuming areas, mainly consisting of large developing countries of Asia, that recorded a growth in oil imports in terms of both volume and world share. US oil imports increased by an annual average of 4.03 percent during the last 25 years (1980-2005), with its world share rising from 20.9 percent in 1980 to 27.1 percent in 2005. Oil imports by the rest of world (RoW) consuming areas increased by an average of 4.56 percent per year during 1980-2005, and its share went up from 25.9 percent to 35.8 percent over the same period. Oil imports by these two areas kept swelling even during 1972-1982, the period of the two oil crises [4].

Oil imports by Europe and Japan declined by 30.9 percent and 13.2 percent respectively during 1972-1982. On top of economic stagnation, energy conservation and oil substitution, the sharp decline in Europe's oil imports reflected rising self-sufficiency thanks to the start of full-scale crude oil production in the North Sea. The world share held by the two (Europe and Japan) alike contracted from 46.7 percent and 15.9 percent respectively in 1972 to 27.3 percent in 1982 and to 11.6 percent in 2002. With these imports-growing and imports-falling areas combined, the world's oil imports dropped 13.8 percent during 1972-1982. But, having risen later, the growth averaged 1.2 percent per year throughout the period 1972-2002, but the growth rate increased to 4.03 percent per year during the period 1980-05 due to phenomenal growth in imports by developing emerging economies of Asia and increase in imports by other regions as well.

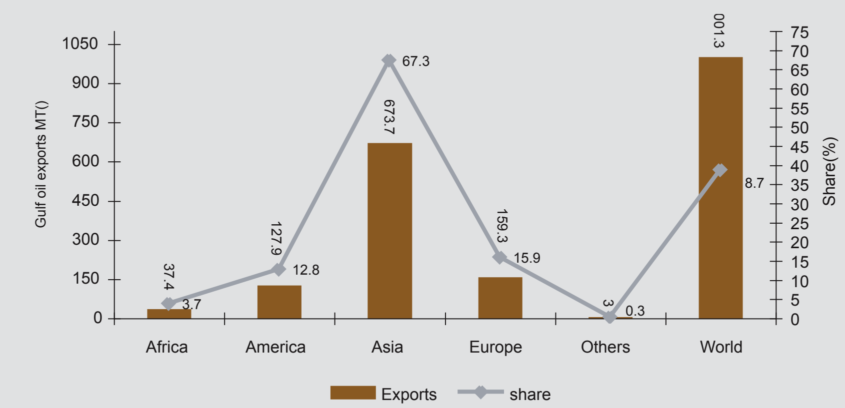
Figure 3:
Regional Shares in Gulf Oil Exports, 1970-2005 (%),



Note: OPEC shows the share of Gulf countries in OPEC's total world exports; Source: GRC based on OPEC Annual Statistical Bulletin, 2005.

Importantly, as a result of industrialized consuming countries' responses to the oil crises, combined with the policy of production curtailments implemented by the OPEC, the Middle East and African oil producing countries, especially the Gulf OPEC countries, came to hold less weight in the world's oil exports than before. Exports from the former Soviet Union temporarily declined due to the economic collapse. But, reflecting subsequent developments, like shrinking domestic consumption and stronger will to earn hard currency by boosting exports, exports from this area have risen sharply in recent years. Exports from the Gulf region plunged by 31.2 percent during the period 1972-1982, and in fact registered a sharp decline of almost 47 percent during 1980-85 but later rebounded to almost 112.3 percent during 1980-2005. Its world share fell from 56.3 percent in 1972 to 54.1 percent in 1980 and further to 38.7 percent in 2005.[5] However, the Gulf region's export market share has also changed drastically. This can be substantiated from the trends in share by regions in the total oil exports by the Gulf region over the period 1970-2005, as depicted in Figure 3.

Figure 4:
Oil Trade Movements between Gulf and Other Regions (2006)



As clearly evident, Europe's share in total Gulf oil exports has declined drastically from 56.1 percent in the year 1970 to a meager 21.9 percent in the year 2005, while that of Asia has doubled from 22.9 percent to 45.0 percent over the same period. Further, from a geo-economic point of view, Gulf-Asia's centripetal role in the global energy regime in general and Asia's strategic importance for the Gulf region can be discerned from the latest trends of world inter-area oil trade movements. In the year 2006, Asia accounted for more than 67 percent of the total oil exports of the Gulf region, in comparison to the paltry 16 percent and 13 percent share of Europe and America respectively (see Figure 4).

As per market outlook,[6] it is certain that regions which depend on imports to meet a significant part of their oil needs will become even more dependent on imports in the coming years. Oil import dependence in Europe is expected to jump from 53 percent to 79 percent by the year 2020. In OECD Pacific, it is expected to increase from an already very high 88 percent to over 92 percent. Developing Asia is expected to depend on imports for 70 percent of its oil consumption by 2020. Oil import dependence in large oil importing countries like China, and India is expected to be 77 percent and 92 percent by the year 2020 (see Table 3). Meanwhile, the Gulf region,

Table 3:
Region-wise Oil Import Dependence, 2005-2020 (%)

Region/Year	2005*	2010	2020
North America	44.6	52.4	58
Europe	53	67.2	79
OECD Pacific	88.2	91.5	92.4
Developing Asia	54.2	63.3	70
China	22.3	61	76.9
India	57.4	85.2	91.6
Rest of South Asia	87.2	95.1	96.1
East Asia	53.7	70.5	80.7

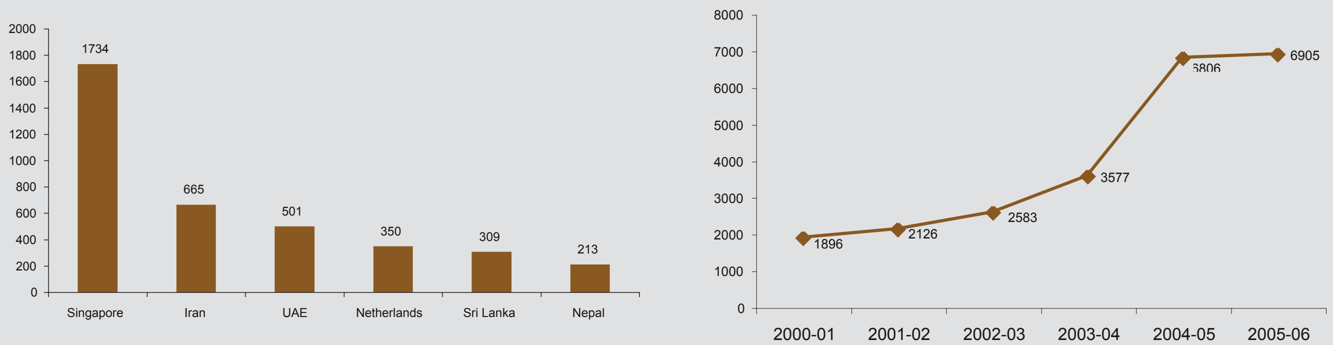
Note: * data for 2005 is calculated.
Source: GRC based on IEA, World Oil Market Outlook, 2004.

4 These figures have been calculated from the historical data series provided by BP Annual Statistical Bulletin.

5 These figures have been calculated from the OPEC Annual Statistical Bulletin, 2005.

6 The outlook is based on the IEA forecasts for 2010 and 2020. The import dependency data for the current year (2005) is calculated from the BP Statistical Review of World Energy, 2007. Import dependency is calculated as the ratio of domestic production less domestic consumption and domestic production.

Figure 5 & 6:
India's Exports of Petroleum Products (Major Destinations and Trends, values in million USD);



Source: Ministry of Commerce and Industry Exportimport Databank, Govt. of India.

already the biggest exporting region, will see exports rise from 22mb/d in 2005 to over 41mb/d by 2020 centering on Asia's expected overwhelming import dependence. In fact, the geographical proximity of the two regions, growing Asian supply deficit and absence of alternative sources for Asian countries will result in an even larger share of eastern sales for Gulf oil. IEA forecasts to 2030 show the volume of traded oil from the Middle East into Asia growing quickly to 28mb/d, with some limited diversity of supply from Eastern Russia/FSU into North East Asia. But partly due to geographical location, and partly due to slower development of its markets, Asia does not yet benefit from such diversity.

Thus, with increasing global consumption, per capita availability of oil and gas from fixed and exhaustible stocks begins to dwindle and an increasing pattern of interdependence between producer and consumer countries with varying geographic and political conditions has emerged in the global oil regime. Gulf-Asia energy interdependence epitomizes this critical geopolitical shift signifying their mutual indispensability for survival in the regime, albeit existence of market distortions favouring the exporters.

Issues and Concerns in the Emerging Dynamics

From the Arab oil embargo in the 1970s through the lower oil price scenarios and Asian financial crisis of the 1990s affecting oil revenue dependent Gulf economies, to recent Russian disruption of gas supply to Ukraine during the winter of 2006, energy security interdependence has become one of the central elements of the global economy.[7] In the present market dynamics, both producers as well as consumers of oil and gas have equal stakes in addressing insecurities. This is especially so in the case of Gulf-Asia energy interdependence. As a result, the numerous crisscross energy investment proposals among Gulf-Asia showcase the importance of addressing energy market vulnerabilities by both producers and consumers. However, it is still an early stage in Gulf-Asia energy related links and importantly, the relationship is not seamless. This is not only due to market distortions and virtual non-existence of an integrated regional oil market, but also due to some pressing issues and market developments that are considerably influencing the Gulf-Asia energy dynamics. In fact, these issues and implications are central to contemporary analysis ranging from alarmist predictions – such as a nightmarish scenario of 'Islamic-Confucian' bonhomie leading to a grand geopolitical upheaval undermining western superpowers, to a more plausible cooperative interdependent framework of producers and consumers.[8]

Currently over 67 percent of exports from the Gulf region are destined for Asian markets, where they sell at a premium popularly designated as Asian premium.[9] Asian refiners have complained for some time about the premium they are charged on Gulf oil. In the future it will become tougher for producers to charge this premium, and also for Asian refiners to pay the extra, because of consistently poor refining economics in the Asia-Pacific region, and deregulation in Asian countries exposing domestic refiners to harsher economic realities.

Another important development is the downstream success of importers like India which has not only become self sufficient in petroproducts but also exports to major destinations and importantly, to oil exporters like UAE (see Figures 5 and 6). Other major Asian importers, especially China will follow suit. This is going to have business implications for the Gulf oil exporters vying for optimizing the value chain.

Other issues of concern include the restrictive nationalistic policies emphasizing energy independence rather than interdependence on the part of Asian consumers and the status quoist attitude of the Gulf exporters perpetuating market rigidities.[10]

By all accounts, the energy security policy space pertaining to Gulf-Asia is currently in a state of flux evincing dilemma between market fundamentals and geopolitics. While Asian consumers are not fully relying upon market solutions for securing energy security, the Gulf exporters are also not inclined to address market distortions.

On the one hand, the global energy sector, especially the world oil and gas sector, has transformed into a pattern of integrated and interdependent structure in the ambit of market liberalization and globalization; on the other hand, there are clear trends of energy politics in the regional context in Gulf-Asia. With the transformation of the world energy market that contains both major suppliers and consumers in close proximity, they are yet to exploit the changing geopolitics to mutual advantage. It is to be mentioned that all the efforts towards cooperation are highly fragmented which makes imperative an inter-regional institutional framework at the earliest.

Conclusion and the Way Forward

Thus, with increasing interdependence, Asian countries once shielded geographically from the turbulence of the Gulf region will no longer be 'free riders' leaving the region on the margins of their geopolitical agendas and the Gulf countries, on the other hand, will no more linger on the market complacency and short term advantages instead of securing long term strategic export market base. This implies that there is definitely greater common cause in the search for mutual energy security.

In other words, energy interdependence has the potential to catalyze cooperation and economic integration between Gulf and Asia by synergizing complementarities – energy plenty and energy poverty. Nonetheless, the real issue is what approach should be adopted by the countries. The long term strategy should focus on viable interregional energy cooperation. In this regard, an attempt should be made to focus on some sort of institutional arrangements for facilitating negotiations on issues. Though there are recent attempts of cooperation between consumers and producers at the multilateral level like the International Energy Forum (IEF) headquartered at Saudi Arabia, as well as the various Round Table conferences of producers and consumers spearheaded by India, at the interregional level in Gulf and Asia, yet nothing concrete has come out of such deliberations.

Therefore, the bottom line for successful interregional energy cooperation is adaptability and recognition of mutual complementarities. This becomes possible only through adopting out-of-the-box strategies compatible with the changing market dynamics rather than dwelling on the inherited legacies, obdurate mindset and defensive self-oriented strategies.

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British Petroleum (BP), Statistical Review of World Energy (2007).

7 The concept of interdependence in International Political Economy (IPE) jargon is similar to political interdependence or economic interdependence having sensitivities or vulnerabilities or costs as well as benefits for the partners. It is conceived as a positive sum strategy. The concept of interdependence in IPE has been comprehensively analysed by Joseph S. Nye Jr. in his book, *Understanding International Conflicts: An Introduction to Theory and History* (Longman, New York: 2000). For detailed analysis of the concept of energy security interdependence, see, Samir Ranjan Pradhan, *India and GCC: Synergizing Interdependence in the Global Energy Regime* (Academic Foundation, New Delhi: 2007).

8 Among the main votaries of the conflict school are analysts like Kent Caldor and T Clarke, while Daniel Yergin is in the vanguard of the cooperative hypothesis.

9 Asian oil premium refers to the margin above the actual market price of Dubai crude (crude oil exports from the Gulf) that the Asian oil importers usually pay in comparison to their counterparts in the US or Europe. As per estimates, Asian premium costs India alone $500 million per year, and costs the region as a whole an extra $5 to $10 billion per year, depending on oil prices.

10 The structural rigidities pertaining to Dubai marker is not being addressed properly by major producers of the region. Moreover, a recent attempt of developing another spot market marker has not been so successful primarily due to liquidity crunch despite overwhelming support by the UAE government.

Flash point Waziristan: The al-Qaeda-Taliban Linkages

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Media reports have brought to attention the increasing suicide attacks in Pakistan involving strategic tactics similar to those used in Iraq. These are being replicated in letter though on a smaller scale at present due to their success and effectiveness. Most of the attacks in 2007 targeted government apparatus, and mainly the security force personnel, and are believed to be a reaction to the government's operations against the Taliban and the al-Qaeda in the tribal areas bordering Afghanistan. Part of the tribal belt bordering Afghanistan is Waziristan – this area, both North and South, has been the seat of unrest, and has seen coalition force air strikes from across Afghanistan, armed confrontation between the tribals, the Taliban and the government which has resulted in the loss of hundreds of human lives in the last many months. Periods of uneasy truce have been punctuated by violent confrontations ensuing from simmering hostilities among the local militant tribes and the government forces. The Taliban and the al-Qaeda, pervasive and entrenched among some segments of the local tribal population, has stealthily been taking advantage of the situation, creating and exploiting the mistrust in order to influence events.

Pakistan is in the midst of a difficult security situation where its efforts to ward off international terrorism have been thwarted by the activities of terrorist groups on the domestic front posing a serious threat to its sovereignty and citizens. Suicide blasts in Islamabad in July, and later in the adjoining city of Rawalpindi in September, underlines the gravity of the crisis. Reacting to the government's actions, Baitullah Mehsud and other Taliban leaders, as well as some militant clerics including the Ghazi brothers, who had engaged the government forces in a bloody confrontation in Islamabad at the Red mosque/seminary, had threatened reprisals in the form of suicide attacks. Radical extremist organizations have jumped into the arena with anti-American war cries. Collaboration with the United States and coalition forces in the war on terror has cost Pakistan hundreds of soldiers as well as unleashed a wave of public mistrust and anger against the state. Security forces and the state are being targeted for attacks. Ayman al-Zawahiri, second-in-command in the al-Qaeda organization, has called for the extermination of President Musharraf and urged a unified stance by the Muslims to fight the enemies of Islam. For the al-Qaeda, Iraq and Afghanistan represent the areas where they have succeeded in engaging the American and western forces in a confrontation that has hindered their goals. The failure and collapse of Western policy in states would only serve to strengthen the al-Qaeda phenomenon.

As for the terrorist strategy and techniques being used in Pakistan that are modeled on the ones in both Iraq and Afghanistan, it is important to understand the deviations and similarities.

Recruiting Suicide Bombers: Use of Audiovisual Media and Extremist Propaganda Tools

Typically, the recruitment of suicide bombers in Pakistan at present is based on a long term process where the focus is on indoctrination of young children and teenagers.

The increasing use of teenage boys, and those in their pre teens, has become a horrifyingly common practice. Recently, Pakistan's leading newspapers reported about yet another video being circulated which carried footage of teenage boys slaughtering a Pakistani security personnel who was kidnapped in the Waziristan agency. Chanting slogans of jihad, the boys held down the solider in front of the other soldiers and one of them duly cut off his head with a knife. The video titled "Inteqam" (Revenge) is being circulated to incite further such demonic acts by the extremists. The 35 minute film, reportedly prepared at a studio owned by the Taliban, was released to the media.[1] The use of media to engender awe and terror among the public and deter security forces, who take part in operations targeting the terrorists in tribal area, is a typical al-Qaeda technique. In the past, another video of a young boy slaughtering an American spy was widely circulated and universally condemned. Besides, pamphlets and booklets inciting people to hatred for the coalition forces presence and strikes in Afghanistan, the Pakistan military operation in the tribal border areas, and the government operation in Islamabad against the Red mosque seminary are being widely used for the same purposes. Some radio stations are now being run by extremist elements that are sympathetic to the Taliban in Pakistan's Frontier province; ironically the same elements are threatening video and music shop owners to shut their corrupt and anti Islamic businesses.

Taliban-al-Qaeda Linkages

Even a cursory analysis of the prevailing situation would suffice to highlight the linkages that exist either and/or between the Taliban, the banned terrorist militant organizations in Pakistan, and the al-Qaeda. The veracity and extent of these linkages with al-Qaeda is as yet undetermined. The fact remains that al-Qaeda formed a nexus with the Taliban in Afghanistan and with some extremist organizations in Pakistan. Today their alliance, a marriage of convenience, serves them both despite differences in goals. Al-Qaeda operates at the global level with the aim of creating an Islamic order and defeating western imperialism. The Taliban are fighting occupying foreign forces and are focused on regaining their position in Afghanistan from where they were ousted in 2001. Afghanistan is the theater where both are in conjunction and are proving an effective resistance against the Afghan government and the international coalition forces. They have entrenched themselves in Pakistan's tribal areas, particularly Waziristan Agency and Bajaur Agency. Al-Qaeda operatives in Pakistan are believed to be the key providers of training in weapons and explosives, fighting techniques, assassinations and suicide attacks.

In the wake of the Red mosque confrontation in July 2007 between some thousands of extremist students under the leadership of the Ghazi brothers and the government security forces, there have been several incidents of suicide attacks across the country including two attacks in the capital Islamabad targeting policemen and a judicial rally. Besides, many districts and major towns in the northern areas, particularly Swat and Kohat, the Waziristan agency has also seen periodic suicide attacks. The army, the Frontier corps constabulary, and the police all fall under the ambit of the state. The Pakistan government, particularly President Musharraf, remains one of al-Qaeda's major targets and has faced multiple assassination attempts.

> *The Taliban and the al-Qaeda, pervasive and entrenched among some segments of the local tribal population, has stealthily been taking advantage of the situation, creating and exploiting the mistrust in order to influence events*

Flash point Waziristan

Pakistan has deployed about 88,000 troops in its tribal areas that have been the scene of a massive military operation in the past two months. The decision to launch a military offensive was taken with immediate effect after the government's peace agreement with the tribals in the Waziristan Agency fell apart. The Waziristan accord, though severely criticized as having given the Taliban and al-Qaeda a chance to regroup, recuperate and launch fresh attacks from Pakistani soil into Afghanistan, was a viable option at the time. The West has been unable to fathom the psyche of the tribals of this region, despite historical evidence of their particular character and their resistance of British occupation before partition in 1947. Pakistan has maintained governance under the federation within the tribal areas in keeping with the tribal customs and rules following the tradition from the times of British occupation of the sub-continent. Fiercely independent, loathe to be subjugated by any sort of authority, particularly foreign force, the tribals abide by a strict code of honor, duty and allegiance. Allegiance to the tribe and protection of guests are matters of the

1 *The Nation*, and *Daily Times*, August 27, 2007.

highest importance.

What the Waziristan peace accord aimed at was to consolidate allegiance to the government among the local tribes and for them to resist the Taliban and the foreign terrorist presence in the region. The tribals were apprised that by providing protection to the foreign al-Qaeda and Taliban presence, they were jeopardizing themselves and exposing the state to a security risk. The understanding aimed at expulsion of foreigners and stopping all logistical support to them in exchange for government forces halting all military operations in the area. The promise of economic development in the region was also an added incentive.

The operation in South Waziristan where the government forces supported the tribals against the Uzbeks in late March-April 2007 was a huge success. Hundreds of Uzbeks were killed and expelled and a successful peace agreement was implemented. Recently, in August, Baitullah Mehsud, who is dubbed the unofficial emir of South Waziristan, declared the peace agreement with the Pakistan government void as he claimed that in violation of the agreement the latter had not withdrawn their military presence; besides, they had conducted and facilitated air raids and strikes. Tribal elders and government representatives from the area maintained that the deal remained valid despite Mehsud's claims.

The fact remains that North Waziristan is currently a hot bed of confrontation between the government forces and the Taliban. Not a day passes when the security forces are not targeted. Suicide attacks and use of IEDs have become a daily occurrence. Security forces are attacked with impunity and taken hostage by the Taliban and local tribes in allegiance with them. A particularly serious incident was the kidnapping of a large group of security forces, around 150-200 soldiers, who are being held in Waziristan since August 30, 2007. Other reports place the figure at 300; negotiations to secure their release are taking place on a daily basis between the tribal elders representing the government and the Mehsud tribesmen who are charged with the kidnapping.[2] The tribesmen claim that the government had violated their deal as contrary to the agreement, the convoy of 16 trucks carrying the soldiers was armed. This incident follows another kidnapping incident of a group of soldiers who were later released; one of them was beheaded in the video as mentioned earlier.

Military operation in the tribal areas is further complicated by cross-border strikes conducted by coalition forces from Afghanistan that have at times targeted Taliban within Pakistan. This has led to wide-spread anger and reprisals by the local tribals. The Pakistan government is in a complex situation; it has vehemently denied granting permission to either the NATO or the US to conduct military raids within Pakistan.[3] Yet strikes have been conducted in the region, perhaps without permission from the government. Several civilian casualties, including those of women and children, have turned the locals' anger into a seething hatred of the Pakistan government and the state security forces.

No military operation can be successful unless it is accompanied by dialogue. Engagement is the key issue that cannot and should not be ruled out. Pakistan's position as the chief contributing state in the war on terror cannot be dismissed nor its efforts and sacrifices undermined. Increasing US pressure in the face of its own failures in Iraq and Afghanistan has led to a downward spiraling of events. Conflicting signals and implied threats emanating from Washington against President Musharraf's regime have led to a hastily-knitted policy where every intelligence tactic and military strategy is being tried out. Additionally, some ominous statements have been issued from Washington in recent months regarding the possibility of conducting air strikes against al-Qaeda in Pakistan's tribal areas.[4] As expected, this created a furor in Pakistan with the government reacting strongly to such a possibility. This coupled with the threat of the dreaded Pressler type sanctions against Pakistan, if it fails to meet the US demands in counter terrorism besides other stipulations, has put increased pressure on the Pakistan government.

Conclusion

The question remains: does the US believe that it can defeat terrorism and extremism in Pakistan with the dismantling of the present regime and the return of the discredited politicians who while leading mainstream political parties also face several criminal and political charges? Increasing domestic political pressure to restore democracy, a belligerent judiciary and a worsening security situation within the country portend a dark period ahead for the Musharraf regime and, more importantly, for Pakistan.

There is substantial evidence to believe that al-Qaeda members are present in Pakistan in collusion with the Taliban, and they are engaged in armed confrontation with the state. They have successfully drawn the Taliban into their tactical mould. Following in al-Qaeda's footsteps, the Taliban has been using printed and audiovisual materials in their propaganda efforts aimed at recruiting other extremist elements through their recordings of killings and suicide attacks. The spread of extremist literature through bulletins, pamphlets, video tapes, radio stations, and mosques has proved the perfect tool for influencing public opinion. Suicide attacks using vehicles and high grade explosives – as in Iraq – are occurring with increasing frequency. How far will it go and where will it end? The answer does not lie in a military offensive alone; while a military offensive is necessary it should be accompanied by economic and social integration of the local population. The US has failed to address the root causes of the violent extremism it sought to crush with military might and continues to exclude this from its foreign policy objectives. What the United States can do is make large-scale investment in infrastructure, education, and creating employment opportunities in keeping with local and religious traditions and customs.

The fight against terrorism promises to be a long one. It is unrealistic to assume that the Taliban and the al-Qaeda will disappear in a year or two. However, by strategic planning combined with military force and intelligence, their power could be curtailed and resources diminished. Alongside, winning the allegiance of the local population by a show of military strength, firmness of commitment and wielding of economic incentives is of primary importance and this aspect should be incorporated in the strategic policy being implemented in the region.

2 At the time of submission of the article in the first week of September 2007.
3 http://edition.cnn.com/2007/WORLD/asiapcf/07/22/pakistan-strikes/index.html
http://www.usatoday.com/news/world/2007-08-07-pakistan_N.htm
4 http://www.globalsecurity.org/wmd/library/news/pakistan/1992/920319.htm

Afghanistan, Central Asia and the Gulf: Complementarity of Interests beyond the Economic Agenda

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The new 'Look East' policy, the growing interest and re-orientation of the Gulf economies towards Asia, has recently received increasing attention. While commentators have focused on relations with East Asia (particularly China and Japan), the South-East Asian 'tigers' or with India and Pakistan, little attention has been paid to relations of the Gulf Cooperation Council (GCC) countries with Central Asia and Afghanistan.[2]

Many Asian and European countries have begun to look towards Central Asia not only to diversify their oil and gas supplies but also increasingly as investment destinations and trading partners. With continued political volatility in several Central Asian countries and the ongoing conflict in Afghanistan, their interest is as much driven by economic considerations as by security and defense agendas.[3] The events of 9/11 have shown that Afghanistan's stability is intricately linked with the stability of the region and of grave import to the world. Afghanistan's internal stability is also closely tied to developments in Pakistan, which is a key ally, important destination of foreign direct investment (FDI) and source of migrant labor for the GCC states.

The Afghan and Central Asian economies are small (see Table 1 below) and, apart from Kazakhstan, relatively poor. Trade and investment links between the GCC and Central Asian regions, albeit growing, remain marginal. With rapid economic growth in both the GCC and the Central Asia region and ongoing reconstruction and stabilization efforts in Afghanistan, studies have highlighted the potential for a revival of trade.[4] Obstacles to improved trade and investment are manifold, yet an increasing engagement and strengthened relations between the two regions could greatly enhance the chances of the region's stabilization and prosperity.

A Long, but Turbulent History

Historically, the Gulf region and Central Asia have had close trade, cultural and religious ties. However, with the integration of Central Asia into the Soviet empire, official links between the two regions were largely disrupted. Geographically and politically, Central Asia's focus changed and trade patterns followed suit. New infrastructure, rail and road connections and later pipelines, began to increasingly link Central Asia with its Western Soviet neighbors or among themselves. With the Soviet invasion of Afghanistan in 1979 and the ensuing instability and civil war, licit trade via Afghanistan from Central Asia to the southern ports of Iran and Pakistan declined rapidly. Lucrative smuggling networks between UAE-based traders and other regional markets persisted, exploiting the liberal trade regime in Afghanistan. During the Taliban regime and before international sanctions started biting the country, this traffic was estimated to be worth $2 billion a year.[5]

After the Soviet invasion of Afghanistan, GCC countries, along with many other countries, provided generous support to the Afghan resistance. Although a number of so-called 'Arab Afghans' and other foreign fighters recruited from the Muslim world, contributed to the 'jihad' against the communists, financial support to the mujahideen, particularly from Saudi Arabia, was far more significant. Various Afghan factions received generous support not only from official sources but also through private donations, even after the withdrawal of Soviet forces in 1989.[6] Assistance was also provided to the humanitarian relief efforts, for refugees in Pakistan and to support health and education facilities.

During the Soviet era, with tight state controls and suppression of religious expression, cultural and religious ties between the Gulf and Central Asia almost ceased and only few, 'selected' Central Asian Muslims were allowed to visit Saudi Arabia to perform the haj. After the disintegration of the Soviet Union and the independence of the Central Asian states in the early 1990s official diplomatic relations were established. Saudi Arabia and other Muslim countries provided generous support to pilgrims and students, and helped in the distribution of religious books, and the construction of mosques, Islamic cultural centers, schools and universities. Support to the 'Islamic revival' in the region, in particular to madrassahs in Pakistan and Afghanistan, has been controversial, particularly since 9/11. Uzbek officials, for instance, have blamed Pakistan and foreign financed madrassahs for fuelling unrest, particularly in the Fergana Valley.[7] In the aftermath of 9/11, Saudi Arabia and other countries have begun to tighten controls on the flow of both public and private funds.[8]

Performing the haj or umra remains, particularly for newly elected leaders, an important gesture bolstering their Islamic credentials. Afghan President Hamid Karzai, for instance, chose Saudi Arabia as the destination for his first foreign trip, reflecting not only the importance of the relationship between the two countries but also the significance given to Saudi Arabia as the guardian of Islam's holiest sites.[9]

Engaging in Afghanistan's Reconstruction

With pledges from Saudi Arabia ($220 million), UAE ($73.7 million), Kuwait, ($45 million), Qatar ($21 million) and Oman ($6 million) since 2002, the Gulf countries have confirmed their support to Afghanistan's reconstruction.[10] However, while Saudi Arabia co-chaired the first international donors' conference for Afghanistan in Tokyo, the Gulf States have kept a rather low profile in the various international fora on Afghanistan.[11] Even considering the contributions of GCC-based private organizations, other countries have been far more generous contributors to Afghanistan's reconstruction.[12]

The UAE is the only Gulf state that has sent a small military contingent to contribute to the peacekeeping efforts in support of humanitarian relief. It also provides basing support to Operation Enduring Freedom. Increasingly there are calls for the UAE to contribute to the NATO-led International Security Assistance Force (ISAF). An engagement under the NATO umbrella could have important ramifications for the UAE and alienate constituencies in the Middle East, which are skeptical of the intentions of the US-led Global War on Terror.[13] Nevertheless, a more active involvement of the GCC states, both in terms of the development agenda as well as the security and political discussions and arrangements is important, not least to avoid the impression that the Afghanistan agenda continues to be primarily shaped by Western perspectives and interests.

1 Michaela Prokop, Ph.D., was the country economist for the Asian Development Bank in Afghanistan. The views expressed here do not in any way represent those of the Asian Development Bank.
2 Different definitions of which countries constitute Central Asia exist. This article focuses on Afghanistan and its Central Asian neighbors (Turkmenistan, Uzbekistan, Kyrgyzstan, Tajikistan) and Kazakhstan.
3 For details on the political volatility in the Central Asian states see "Central Asia's Energy Risks," International Crisis Group, Asia Report no 133, May 24, 2007.
4 Asian Development Bank, "Central Asia – Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit," 2006.
5 Gulf States Newsletter, "Afghan Traffic Hit by Sanctions, Dhow Traders Fill the Vacuum", Issue 660, April 30, 2001.
6 Together with Pakistan, Saudi Arabia and the UAE were the only countries recognizing the Taliban regime. They withdrew their recognition shortly after 9/11.
7 The Economist, "The Crusade against the Wahhabis", April 7, 1998, 36.
8 It is necessary to differentiate between those schools that provide education and religious teachings and those that use religion to incite hatred towards others and have been used by some individuals or groupings for political aims. Education in madrassahs has been the main method of teaching throughout the Islamic world for many centuries. Some of the madrassahs on the Pakistan/Afghanistan border that received funding from Saudi Arabia and other Muslim states, differ from traditional madrassahs. Students were particularly trained and ideologically indoctrinated to become political tools in the conflict in Afghanistan, against the Hindus in Kashmir or in other locations where Muslim interests were perceived to be threatened. For further details see Jessica Stern, "Pakistan's Jihad Culture," Foreign Affairs, December 2000.
9 Similarly, in April 2007, recently elected Turkmen President Gurbanguly Berdymukhammedov went to Saudi Arabia on his first trip abroad.
10 Ministry of Finance, Afghanistan, June 2007. Actual disbursements are lower.
11 This is also in line with a report from the Overseas Development Institute (ODI) which argues that the increasing volumes of aid of the Gulf States have not translated into increased engagement or influence in international fora. "Diversity in Donorship: The Changing Landscape of Official Humanitarian Aid – Aid Donorship in the Gulf States," Humanitarian Policy Group Background Paper, September 2005, ODI, UK.
12 For comparison, according to the Afghan Ministry of Finance (see above) pledges for development aid (excluding military expenditures) for 2002-2011 amount to: United States ($13,628 million), the European Commission ($1,964 million), United Kingdom ($1,470 million). India, for instance, has pledged $750 million, Norway $314 million, Iran $304 million and Sweden $270 million.
13 Agence France Presse, " UAE Could Be First Arab Nation to Send Troops to Afghanistan," July 21, 2007, and Gulf States Newsletter, Vol.31, no.811, August 3, 2007, p.4ff

Table 1 - Economies in Comparison

	GDP (current prices) (US$ billions)		GDP growth (constant prices) (%)		GDP (current prices) per capita		Population (millions)	
	2000	2007	2000	2007	2000	2007	2000	2007
Saudi Arabia	188.7	354.9	4.9%	4.8%	9,216	14,616	20.474	24.283
Kuwait	37.7	95.4	4.7%	3.5%	17,013	29,775	2.217	3.204
U.A.E.	70.2	185.9	12.4%	8.2%	21,626	34,283	3.247	5.424
Oman	19.8	38.3	5.5%	6.0%	8,143	14,583	2.440	2.629
Afghanistan	n/a	9.9	n/a	12.2%	n/a	383	n/a	25.804
Kazakhstan	18.3	91.6	9.8%	9.0%	1,229	6,059	14.866	15.120
Kyrgyz Republic	1.4	3.3	5.4%	6.5%	278	625	4.915	5.261
Pakistan	74.1	141.4	4.3%	6.5%	539	893	137.530	158.277
Tajikistan	1.0	3.1	8.3%	7.5%	162	489	6.135	6.419
Turkmenistan	5.0	26.2	18.6%	10.0%	1,082	5,055	4.643	5.186
Uzbekistan	13.7	18.8	3.8%	7.7%	558	700	24.600	26.928

Source: IMF, World Economic Outlook, April 2007

Trade and Investment Links

Afghanistan and Central Asia would have much to gain from increased economic cooperation and trade with the Gulf countries. Similar to the Gulf economies, some Central Asian countries, spurred by the global oil and gas price rises, have witnessed rapid growth in the last few years (see Table 1). The Gulf countries have large, internationally mobile capital resources and are looking for new avenues to invest and diversify. Afghanistan and the Central Asian economies require the resources to modernize their economic and physical infrastructure. The GCC is also an expanding export market for merchandise and services, and continues to be an important host to many migrant workers. While the number of Central Asians working in the GCC is relatively small, the petroleum boom in the 1970s attracted many skilled Afghans, followed by another wave of Afghans fleeing the Soviet invasion and the Afghan civil war. The remittances of the Afghan expatriates constitute an important contribution to the Afghan economy.[14]

As Table 2 indicates, exports from the Gulf to Afghanistan and Central Asia have risen significantly between 2000 and 2006, but figures remain small, even considering the small population sizes of the Central Asian countries. Exports of Central Asian countries to the GCC have risen more rapidly. However, many of their principal exports are primary commodities such as oil and gas, which are of little interest to the GCC market. To date, the Central Asian republics' participation in global production networks and related trade in manufactured goods is limited, which means that they derive little benefits from trade in terms of foreign direct investment (FDI) and knowledge transfer.[15] They have a long way to go to improve their investment climate and face fierce competition for Gulf capital from other developing Asian countries.

Table 2 - Exports from GCC to Central Asia (selected countries)

US$ million

	World Total		Afghanistan		Kazakhstan		Pakistan		Uzbekistan	
	2000	2006	2000	2006	2000	2006	2000	2006	2000	2006
Saudi Arabia	74,729.300	191,347.000	0.321	1.010	0.085	0.677	1,033.580	3,222.320	0.546	1.719
UAE	40,858.000	112,650.000	2.063	6.492	20.044	31.449	1,035.790	2,994.370	n/a	n/a
Kuwait	18,761	42,359.400	0.00	0.00	0.00	0.007	1,158.290	144.410	n/a	n/a

14 No exact figures of the number of Afghan expatriates exist but it is estimated that there are several hundred thousand. No data on remittance flows is available.
15 ADB study, see footnote 4.

Table 3- Exports from Central Asia to GCC (selected countries)

US$ million

	Total (Middle East)		Saudi Arabia		UAE	
	2000	2006	2000	2006	2000	2006
Afghanistan	2.661	13.776	0.000	0.589	0.000	6.133
Pakistan	1,092.380	2,698.170	239.983	438.172	559.997	1,550.810
Uzbekistan	48.285	121.793	0.000	0.055	n/a	n/a
Kazakhstan	241.293	1,316.760	2.534	84.361	11.008	49.961

Source: IMF, Directions of Trade Statistics, 2007.

The US and Europe continue to be the main source of FDI for most Central Asian countries. Kazakhstan, the most successful of the Central Asian countries in attracting FDI, has established a joint intergovernmental commission with Saudi Arabia and a joint business council with the UAE, its most important trade and investment partner in the Middle East. FDI inflows in Afghanistan have been hesitant, and not only from the Gulf countries. A few notable exceptions have been Etisalat's launch of its Afghanistan operations and the announcement in April 2006 by Sharjah-based Air Arabia offering regular flights to Kabul. However, flights were suspended again in September 2006 due to security concerns.

But Plenty of Obstacles Remain…

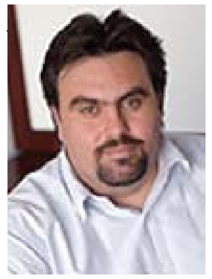
The persistent security concerns in Afghanistan are only one of the obstacles to trade and are further compounded by restrictive trade policies in some of the countries, lack of adequate transport and transit systems. Most Central Asian countries are landlocked and depend on neighboring countries to import and export their goods.[16] Reviving Afghanistan's role as a landbridge, could facilitate the link between Central Asia, the Gulf and the larger Middle East through the ports of Bandar Abbas and Chabahar in Iran and Karachi and Gwadar in Pakistan.

However, Afghanistan's security situation has worsened in the last couple of years with the Taliban re-gaining control of many areas, particularly in the South. The resurgence of the Taliban is also closely linked with the flourishing opium trade. In 2006, Afghanistan produced 92 percent of total global opium supply; opium cultivation in 2007 is likely to reach similar levels as in last year's record harvest.[17] The opium economy with its linkages to insurgency, crime, corruption and poverty threatens not only the reconstruction of Afghanistan but also regional stability. Gulf countries are used as transit routes for drugs out of Afghanistan. With an increasing domestic drug abuse problem, the Gulf has also become an important destination.[18] Despite efforts to tighten anti-money laundering regimes, rumors that part of the profits from the drug trade are invested in the Gulf persist.

Existing international and regional counter trafficking and security networks are not adequately equipped to deal with the growing problem. In 2006, Qatar hosted the Second Doha Conference on Border Management, which sought to strengthen cooperation among the regional countries to improve border security. While this was a notable initiative, many of the recommendations of the conference declaration remain to be implemented, adequately resourced and followed up with increasing engagement of the regional countries. While most Asian and European states and the traditional power brokers in Central Asia, Russia and the United States, have recognized the complementarity of economic, energy and security interests, it would be in the interest of the GCC states to move beyond their relatively modest development and humanitarian assistance to a more active engagement in the political and security fora and arrangements in Central Asia.

16 Uzbekistan is also one of the only two doubly landlocked countries in the world.
17 United Nations Office on Drugs and Crime, "Opium Winter Rapid Assessment Survey," February 2007.
18 For greater detail and on the problem of human trafficking see also Faryal Leghari, *Narcotics and Human Trafficking to the Gulf States* (Dubai: Gulf Research Center, January 2007).

Rebalancing Australia-GCC Relations



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Having served in the mid-1990s as an Australian diplomat in the Gulf, I find it nothing short of remarkable to witness the change that has taken place in Australia-GCC ties. A little over a decade ago Australia was struggling to make itself visible in the region. Today it is possible, for example, for a UAE citizen to return from his annual holiday in Australia, flying an airline whose CEO is an Australian, travel from the airport in an Australian-built taxi to his apartment built by an Australian construction company.

Yet today, Australia-GCC relations are also at a crossroads. Trade is healthy, if not booming, while new strategic connections are being forged between Australia and certain Gulf states. What is missing, however, are commensurate, regular, high-level political contacts between Australian and Gulf leaders, a shortcoming that is limiting the potential of the relationship, if not endangering its current gains. In short, an urgent re-balancing of ties is required.

Trading Sheep for Cars

Trade has traditionally been at the heart of Australia-GCC ties, but in just over a decade even this has been radically transformed. Once largely dominated by Australian exports of wheat and livestock to the region, the Gulf has become Australia's single largest export market for automobiles – even if they are sold under an American badge. A car market that was worth around $110 million to Australia a decade ago is now worth some $2 billion. Likewise, some of Australia's largest construction companies and financial service providers are now operating in the region. Today Australian companies are even selling sand – mineral sands – to the Gulf.

Some 15,000 Australians now live and work in the UAE alone, close to a trebling in numbers over the last 10 years. Australians are travelling to and through the region on holidays with the dramatic expansion in direct flights in recent years, with a number of Gulf carriers now flying to Australia, including Emirates, Etihad, and more recently Qatar Airways. There have been major increases in the number of GCC citizens travelling to Australia – over 50,000 last year – for a holiday or an education (or both).

It is true that to date the commercial relationship has been a little one-sided. Australia has not been a big purchaser of the Gulf's main exports such as oil and gas - indeed it has abundant supplies of the latter, and is a major competitor for GCC producers. But if Australia is not yet a major destination for the region's resources it is certainly keen to tap into its resource wealth. Australia is hoping that the burgeoning reserves of sovereign wealth funds in the Gulf will eventually head its way. What Australia offers is a means for these funds to diversify their portfolio away from traditional investments in the US, with greater transparency and less risk than in other parts of Asia, such as China.

Of course, the Gulf is a highly competitive trading environment and for this reason Australia has joined the list of those countries seeking a Free Trade Agreement. Negotiations have only recently begun and will take time to bear fruit. The GCC has a limited number of negotiators and there are a number of agreements ahead of the Australia-GCC agreement in the queue. Nevertheless, such an agreement would add another strong strand to a trading relationship that has yet to reach its full potential.

Yet today, Australia-GCC relations are also at a crossroads. Trade is healthy, if not booming, while new strategic connections are being forged between Australia and certain Gulf states

New Strategic Horizons

In strategic terms, Australia and the Gulf countries have tended to view each other largely through the prism of their major alliance relationship with the United States. That is, Australia's military deployments to the Gulf ¬ for example, during the 1991 Gulf War and in subsequent sanctions-enforcing naval deployments ¬ were mainly driven by its relationship with the United States. Likewise, Gulf countries have tended to view Australia as an alliance partner of the US rather than an independent strategic actor in their neighborhood.

This is unlikely to change dramatically in coming years. Australia was one of the few countries to play a significant military role in support of the United States in the invasion of Iraq in 2003 and retains a small military contingent in Iraq and the Gulf. While this involvement has drawn strong criticism domestically, it has not proved the politically chastening experience that it has for other allied governments such as in the United Kingdom – not least because of the absence of major Australian casualties in the conflict to date. Even under a change of government – elections are scheduled for later this year – a niche force of Australian troops is likely to remain in Iraq for some time yet.

Moreover, partly as a consequence of the Iraq war and the presence of Australian military forces in the region, the level of military-to-military contact and cooperation with GCC member states has increased

Yet for all this fundamental continuity there are still important, if more nuanced, changes taking place in the strategic relationship between Australia and GCC member states. In Australia there are the beginnings of recognition that the Gulf is important to its national security beyond its alliance commitments to the United States. Thus the most recent update to the Australian government's Defense White Paper also recognized the importance of the Middle East in the fight against transnational terrorism and as a source of energy – including to many of Australia's major trading partners.

Moreover, partly as a consequence of the Iraq war and the presence of Australian military forces in the region, the level of military-to-military contact and cooperation with GCC member states has increased. From a GCC perspective, Australia is never going to rival the United States or other major strategic players in the region. Yet it could still be a source of high-quality training for GCC countries wishing to diversify their military reliance away from the United States. Indeed, in recent years a small number of military personnel from the GCC have attended Australian defense colleges and training institutions.

A similar logic applies to defense sales. Once again, Australia is never going to be a major provider of military hardware to the region. Yet it does produce certain niche capabilities – such as air-conditioned troop carriers – uniquely suited to the region, given the climatic similarities between Australia and the Gulf. Partly as a reflection of this, the Australian Defense Minister recently announced a major, and more coordinated effort to market and sell Australian-made defense equipment to GCC states.

Leadership Dialogue Lagging

For all the current strength and potential in the relationship it has one major weakness – the lack of regular and substantive contact between political leaders of Australia and GCC member states (or even between Australia and the GCC as an institution). It used to be the case that the only time an Australian Minister visited the Gulf was usually in transit to somewhere else. This has changed somewhat of late. Regular visits to Australian troops in Iraq by the Prime Minister, the Defense and Foreign Ministers have provided greater opportunities for meetings with counterparts in some Gulf countries. But even these openings have not always been taken up or exploited to their full potential. Meanwhile, visits by Ministers from GCC states to Australia have been rarer still.

There are two risks inherent in this lack of ministerial contact. Firstly, it leaves both Australia and GCC member-states less able to deal with the nasty surprises that can occasionally crop up in any bilateral relationship. As the Danish found in the cartoon scandal, such surprises can have serious commercial consequences. Stronger ministerial contacts will not always stop such crises from occurring. But they certainly put a country in a much stronger position to respond to them and ameliorate their consequences. One wonders, for example, how Australia might have dealt with any commercial boycott had its role in the Iraq war had a higher profile in the region.

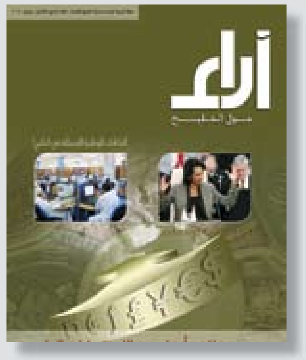
Secondly, the absence of regular ministerial contact limits the potential of the relationship. From an Australian perspective, regular contact would enable its political leaders to gain a far greater insight into a highly fluid regional strategic situation. As already noted, Australia is never going to be an independent or decisive actor in the region. It has no choice but to act in concert with allies with which it shares common strategic interests. But, as the Iraq war has demonstrated, it also needs a greater capacity to make its own judgments about regional developments, particularly when its main ally again asks for military support some time in the future. This would be prudent on self-interest grounds alone. It would also, however, make Australia a more valuable alliance partner, better able to influence events through its own independent contacts in the region.

For the GCC there would be value too in having a regular dialogue with a close US ally, similar to the close contacts that Gulf countries maintain with the United Kingdom. Moreover, Australian political leaders can provide valuable perspectives on Asia, a region of increasing economic importance to the GCC. In particular, Australia has a long-standing and robust relationship with China, an increasingly important economic and political player in the Gulf and in the long term, potentially a strategic actor as well. The insights of Australian political leaders on China would prove valuable to the leaders of GCC member states whose own relationships with the Chinese are, in many cases, still in their infancy.

Time to Re-balance

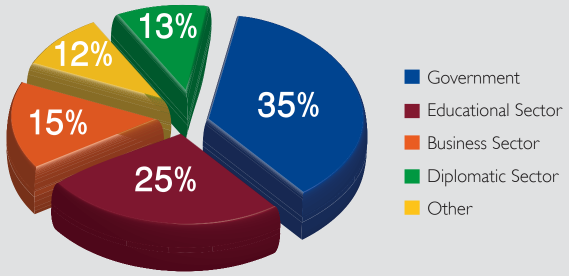
A decade ago, infrequent political contacts between Australian leaders and their GCC counterparts were an understandable reflection of relatively modest commercial and practically non-existent strategic ties. But today, as the commercial and, to a lesser extent, strategic relationships surge ahead, the absence of more regular leadership contacts is a liability. Indeed, today the Australia-GCC relationship can be likened to a three-legged stool with economic, strategic and political legs. The problem is that when one leg is significantly shorter than the other two, keeping the stool balanced is likely to prove extremely difficult.

Araa - The GRC Magazine



Launched in 2004, Araa focuses on economic, political, social, and defense issues relevant to the geopolitical Gulf region – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE, Iraq, Iran, and Yemen. Araa is part of GRC's attempt to redress the lack of adequate representation of re-gional opinions and interests and fulfill its mission of 'knowledge for all.' This influential publication – reflecting the views of established academics and columnists – has gained in reputation over a period of time. Araa writers come from academia, business and industry, and occasionally the public sector.

Araa Readership Profile



Araa editorial plan 2006-2007

July 2006:	GCC water crises
August 2006:	GCC e-government
September 2006:	Yemen
October 2006:	GCC aviation
November 2006:	Iraq
December 2006:	Real estate & construction
January 2007:	Defense
February 2007:	Telecom/satellite channels
March 2007:	Energy
April 2007:	Gulf security
May 2007:	Iran

Japanese Prime Minister's Visit to the Middle East to Build a Multilayered Relationship

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Japan's Prime Minister Shinzo Abe visited several Middle Eastern countries from April 28 to May 2, 2007. Visits by Japan's prime ministers to the Middle East have been rare in recent years. Former Prime Minister Junichiro Koizumi did visit Saudi Arabia and Egypt four years ago, but no Japanese prime minister had been to either Qatar or the UAE for nearly 30 years, and this was the first ever visit by the head of the Japanese government to Kuwait. If we consider Japan's growing economic ties with the region, especially in the field of energy, and the increasing number of Japanese companies and expatriates that have moved into the region, the prime minister's visit should have happened much earlier. Although it was a very quick tour, covering six cities in six days, Prime Minister Abe held top-level meetings in every country that he visited such as those with King Abdullah in Saudi Arabia and President Hosni Mubarak in Egypt.

Table 1:
The number of Japanese Expatriates and Companies

	Expatriates	Companies
U.A.E.	2500	222
Egypt	904	49
Saudi Arabia	702	73
Qatar	652	28
Kuwait	189	21

Source: The Ministry of Foreign Affairs, Japan and others.

This visit was noteworthy for two reasons. The first was the energy and economic aspect which has always been, and will continue to be, the most important factor in Japan's relationship with the region. This region has significantly grown in importance in recent years because of rising oil prices. However, the prime minister's visit may also be viewed as an expression of the active foreign policy of Japan, which is attempting to position its relationship with the region in a more multilayered way. Both these aspects are based primarily on the prime minister's initiative.

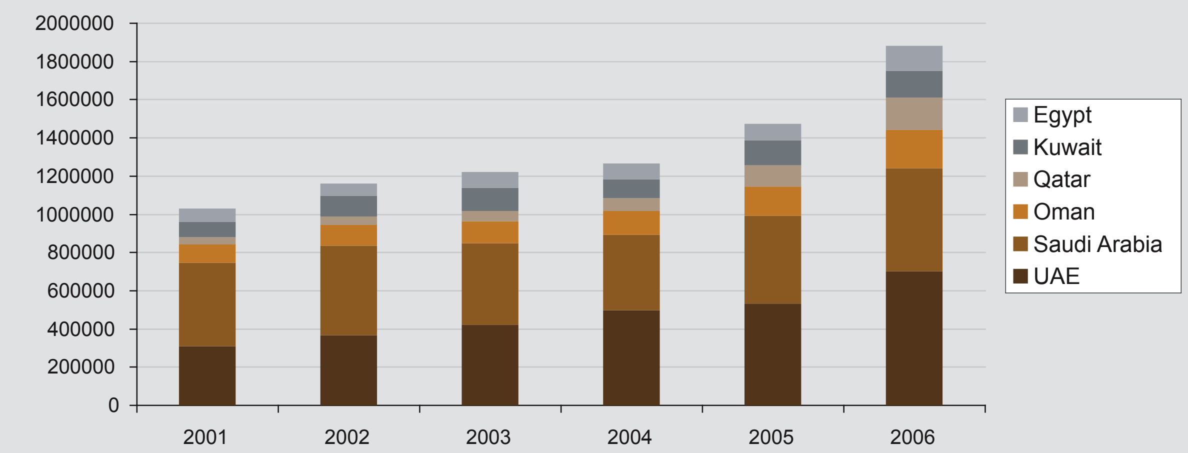
Growing Energy and Economic Ties

The Federation of Economic Organizations (known as Keidanren) arranged a delegation to accompany Prime Minister Abe, which consisted of more than 180 business leaders from a wide variety of sectors, including oil, trade, banking, petrochemicals, construction, electricity, automobiles and others. This was the second such delegation to join Abe on a foreign tour; the first delegation accompanied him on his visit to Vietnam in 2006.[1] The idea, initiated by Abe himself, was inspired by the American and European style of 'top sales diplomacy,' in which political and business leaders visit foreign countries together, hoping to create synergistic effects that will expand their presence in the political and economic spheres.

The leader of the delegation and the chairman of Keidanren, Fujio Mitarai, said after the visit, "In Saudi Arabia, we had the pleasure of both the King and Crown Prince joining us for dinner. This was unusual and reminded us of their high expectations from Japan. I also believe that our enthusiasm must have reached them."[2] Since the delegation was formed on short notice, or owing to the busy tour schedule, some questioned the need for and the result of the business mission. However, this huge delegation at least succeeded in creating a Japanese presence, and should be viewed in a positive light.

1 After the Middle East tour, more than 200 businesspersons joined Abe again on his visit to Indonesia, India and Malaysia in August 2007.
2 Asahi Newspaper, May 3, 2007.

Figure 1: Japanese Export (2002 - 2006)



Source: Japan Tariff Association

The third oil-boom era in the Gulf countries has enabled them to undertake enormous development projects. To expand infrastructure for meeting the needs of the increasing population, many projects, such as in the fields of transportation, water, electricity, sewage and construction, are in progress, and Japanese companies have found attractive economic opportunities to be involved in them. One such example is the Dubai Metro (an urban rail system that runs along a creek and links Dubai Airport and Jebel Ali Port), scheduled to begin operations in September 2009. In addition to expanding its involvement in the development activities of the region, Japan is also rapidly increasing its exports. Exports to the countries Abe visited, consisting primarily of machinery and transport machines, ballooned in five years from 933 billion Japanese yen in 2001 to 1.68 trillion Japanese yen in 2006.[3]

Before and during Abe's visit to the region, the UAE-Japan Business Forum was held in Tokyo and Abu Dhabi, and the Saudi-Japan Business Forum was held in Riyadh. The number of participants, which exceeded 3,000 in Tokyo, reflects the increasing attention being paid to the region by Japanese businesspersons and the close economic relationships that exist beyond the energy sectors.

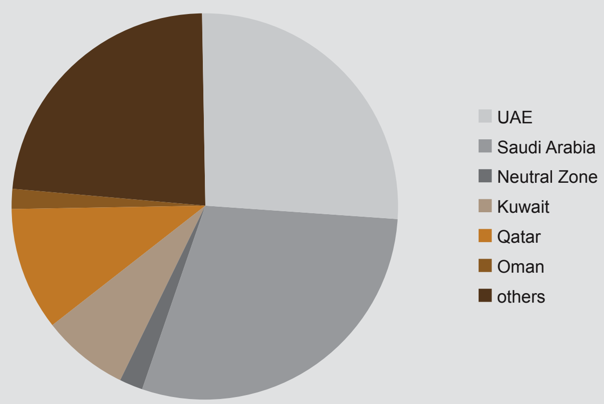
It is common knowledge that Japan is dependent on the region for a huge share of its oil requirements. In 2006, dependency on Middle Eastern countries for Japan's oil imports reached as high as 88.9 percent, and four of the five countries Abe visited – Saudi Arabia, UAE, Qatar and Kuwait – together made up 74.8 percent of imports.[4] Compared to the 1970s, when extremely high oil prices severely affected the Japanese economy at least twice, the negative effect of high oil prices has been mitigated by the diversification of energy sources, the diffusion of energy conservation technology and the appreciation of the Japanese yen. However, there is no doubt about the importance of the region from the viewpoint of energy security, especially in light of the rising oil demand from Asian countries.

Due to these circumstances, the joint statements issued during Abe's visit referred to securing the oil supply. Qatar stated that they, 'would keep supplying oil and natural gas, including LNG, to Japan at an acceptable rate for both sides in a stable manner'[5] and 'the Saudi side expressed its intention to continue stable oil supply to Japan, and the Japanese side expressed its appreciation for this.'[6]

During the visit, Abe proposed to Saudi Arabia's King Abdullah that Japan lease some state-owned oil storage tanks in Okinawa, the southern islands of Japan, and

3 Calculation based on data from the Japan Tariff Association.
4 Petroleum Association of Japan.
5 Joint statement with Qatar, Ministry of Foreign Affairs, Japan.
6 Joint statement with Saudi Arabia, Ministry of Foreign Affairs, Japan.

Figure 1: Japanese Oil Import (2006)



Source: Japan Tariff Association

both sides agreed to closely examine the proposal on a practical level. If implemented, this could allow Saudi Arabia to cut down the shipping period for oil to North America and to have a commercial base in Asia, and would give Japan preferential rights to purchase the oil in the tanks, in case of an emergency.[7] In addition, the Japan Bank for International Cooperation (JBIC) and Abu Dhabi National Oil Company (ADNOC) reached a financial agreement according to which ADNOC will borrow $1 billion from JBIC on the condition that it ensures secure oil supply to Japanese oil companies. ADNOC will invest the money in oil exploration, product expansion projects and infrastructure development. Japanese companies may have an opportunity to contribute in these investments.[8]

Japan's Active Diplomacy

The prime minister's visit also showed that the relationship between Japan and the region has embarked on a new era that goes beyond the fields of energy and economics. The joint statements issued after the meetings touched upon other new topics such as nuclear issues both in the Middle East and East Asia, and climate change. For the first time as incumbent prime minister, Abe visited members of the Self-Defense Force (SDF) in Abu Dhabi and Kuwait, who are engaged in overseas missions. These new trends reflect Japan's recent active foreign policy.

Former Prime Minister Koizumi, well known for his strong leadership, advocated strategic diplomacy in the middle of 2006 by dispatching ministers a few months before his resignation particularly to countries they had never visited before. This was aimed at making Japan's position understood and gaining support in the international community. Abe, who succeeded Koizumi in September 2006, follows his policies and top-down style in external as well as internal affairs.

Abe, the first Prime Minister of Japan to be born after World War II, has challenged the 'post-war regime' and lays more emphasis than his predecessors on diplomacy and national security. In January 2007, a law passed by the Japanese Diet elevated the Defense Agency to the Defense Ministry and redefined the primary mission of the SDF to include international peace-keeping operations, which previously had secondary status.

It was natural for Abe to visit and encourage members of the SDF during his Middle East tour. The Middle East is now one of the major arenas for SDF's overseas activities. In Abu Dhabi, Abe told the crew of Maritime SDF, which refuels vessels of coalition members as part of the anti-terrorism operation in Afghanistan, that it was essential for Japan to contribute to the international cause. In Kuwait, Air SDF maintains airlift services under the framework of the Iraq reconstruction mission based in Ali al-Salim Air Base, though Ground SDF withdrew from Iraq in July 2006. Abe told them that he was proud of their work and exhorted them to keep trying harder for the sake of the international community.

Most of the joint statements with the five countries brought up the issue of weapons of mass destruction, emphasising 'the importance of urging all the states in the Middle East to accede to the Treaty on the Non-Proliferation of Nuclear Weapons and making the Middle East a zone free of weapons of mass destruction and their delivery means in conformity with relevant internationally legitimate resolutions.'[9] The statements with Saudi Arabia, Qatar and UAE directly mentioned Iran. 'The two sides placed a great emphasis upon the importance of a diplomatic solution to the Iranian nuclear issue, and urged Iran to implement the United Nations Security Council Resolutions 1696,

7 Kyodo News, April 29, 2007.
8 Asahi Newspaper, April 29, 2007.
9 Joint statement with Egypt, Ministry of Foreign Affairs, Japan.

1737 and 1747, and suspend all enrichment-related and reprocessing activities accordingly."[10]

What is noteworthy is that all the statements refer to North Korea, following the WMD and Iranian nuclear issues, saying 'On the situation regarding the Korean Peninsula, the two sides concur that the agreement reached at the Six-Party Talks on 13 February 2007 should be expeditiously implemented by all parties, especially by North Korea."[11] Proliferation of WMDs is now an issue of global concern, and the Iranian nuclear issue is not unrelated to the one in North Korea, thus demonstrating that the Gulf and Japan are facing a common problem.

The statements supported an early reform of the Security Council of the United Nations and an early resolution of the abduction issue. The whereabouts of dozens of Japanese abducted by North Korea in the 1970s and 1980s are unknown, and the joint statements reflect the previously cited active Japanese diplomacy.

In addition, the significance of climate change as an imminent universal challenge cannot be exaggerated. The joint statements with the Gulf countries stated that 'both sides shared the view that the international community as a whole – not only industrial countries but also energy supplying countries – should advance a strategy to manage the current global warming trend"[12] and "the Japanese side expressed its willingness to develop its cooperation in both levels of government and private sectors to promote the clean development mechanism (CDM) that contributes to combating the possible global warming as well as achieving sustainable development"[13] in the UAE, Kuwait and Saudi Arabia.

Japan is trying to build a more multilayered relationship with the Gulf and the Middle East that goes beyond shared common interests in the fields of energy and economics. National security and climate change have especially become more and more globalized in recent years and cannot be tackled only through a regional approach. A broad-based and multilayered relationship between Japan and the Middle East will not only secure Japanese energy needs but will also enable Japan to play a more pivotal role in the region.

10 Joint statement with UAE, Ministry of Foreign Affairs, Japan
11 Joint statement with Kuwait, Ministry of Foreign Affairs, Japan.
12 Joint statement with UAE, Ministry of Foreign Affairs, Japan.
13 Joint statement with Saudi Arabia, Ministry of Foreign Affairs, Japan.

GRC Partnerships with Asian Institutions

Collaboration with think-tanks and research organizations is a vital part of the Gulf Research Center's mandate. The cooperation agreements that the center has signed with a number of institutions worldwide aim to support each other in the areas of research, policy facilitation and implementation of long-term conditions for peace, security and sustainable development.

In partnering institutions of interest, we hope to work in pursuit of creating greater national, regional and international awareness on issues pertaining to security and stability in the Gulf region and beyond.

The areas of cooperation encompass joint research; dissemination of findings; convening conferences; facilitating exchange of scholars; translation, re-publication and distribution of selected publications; as well as sharing of relevant databases.

The following is a list of Asian institutions that the GRC either has a formal cooperation agreement with or entered into a working relationship in mutually agreed areas.

June 12, 2007

The National Maritime Foundation (NMF), a New Delhi-based think tank, signed a MoU with the GRC to work towards creating greater national, regional and international awareness on issues pertaining to security and stability in the Gulf and Indian Ocean regions.

NATIONAL MARITIME FOUNDATION

The NMF is a non-governmental and non-political maritime think tank that undertakes studies and analyses across the various dimensions of maritime domain relating to India vis-à-vis the Indian Ocean countries and also global actors in order to formulate policies and present options.

Prominent Asian Visitors to the GRC

September 5, 2007

A three member delegation from the Ministry of Foreign Affairs as well as the Consul General of the Republic of Singapore in Dubai, UAE, Dileep Nair visited the GRC and discussed the prevalent situation in the Gulf, and economic

cooperation between Singapore and the Gulf States besides other matters of mutual interest. Singapore's Ambassador to Iran, Gopinath Pillai, the Second Permanent Secretary, Bilahari Kausikan and the Country Officer, Middle East, North African and Central Asian Directorate, Bernie Ho Siak Khong, were the delegates representing the Ministry of Foreign Affairs, Singapore.

August 28, 2007

Professor Ryoji Tateyama of the National Defense Academy, Japan, specialist in national security and international politics, especially the Palestine-Israel conflict, discussed the key security issues in the Gulf States.

May 22, 2007

A group of 35 students and two faculty members from the School of Social Sciences division of the Singapore Management University, who were on a tour of the UAE and Qatar as part of a Business Study Mission, were briefed about the political, economic and security dimensions of the Gulf region.

Visiting Scholars

Akiko Yoshioka was a visiting researcher at the Gulf Research Center from May to October 2007. Akiko is a research fellow of JIME Center, IEEJ (The Institute of Energy Economics, Japan). Her specialty is contemporary Iraqi politics and she has authored a number of articles on the transitional political process of Iraq after the war. Her research areas includes economic and energy issues in the Gulf and Iraq as well.

Media Monitor

The following are the highlights of important events pertaining to relations between the Gulf and Asian countries during the last few months.

Japan

April 30: Japan and UAE leadership agree to accelerate efforts to reach a free trade agreement with the Gulf Cooperation Council. Discussions to this effect took place on the occasion of Prime Minister Shinzo Abe's two-days visit to UAE.

South Korea

April 29: Qatar expresses the interest of the Supreme Council for the Environment and Natural Reserves (SCENR) in establishing peaceful nuclear cooperation with the South Koreans. Participants of the 22nd Conference on peaceful nuclear applications held in Korea in the preceding week expressed readiness to cooperate in this regard.

North Korea

September 18: UAE establishes diplomatic ties with North Korea at the level of ambassadors.

Australia

May 4: Oman will join hands with Australia and Britain to establish its first 'Military Technological College' which will train both army and civilian personnel and is expected to start functioning in 2009.

July 30: UAE and Australia sign two treaties on extradition of criminals and mutual legal assistance on criminal matters. The treaties cover extradition cooperation between the two countries for crimes such as people (human) trafficking, money laundering, corruption and terrorism.

Sri Lanka

August 11: Sri Lanka has announced its intent to revamp its missions in Saudi Arabia in view of the 550,000 strong Sri Lankan expatriate workers in of whom more than 80 percent are women.

Bangladesh

August 10: Saudi Arabia sends $ 50m in aid including medical relief, basic requirements and food to Bangladesh to alleviate suffering of thousands of flood victims.

Malaysia

May 27: The Prime Minister of Kuwait Sheikh Nasser Al-Mohammad Al-Ahmad Al-Sabah, visits Malaysia to participate in the Third World Islamic Economic Forum (WIEF) that was hosted in Kuala Lumpur between May 27 and 29, and to also hold meetings with Malaysian officials.

May 3: Malaysia's AlBukhary Foundation will provide 1,000 scholarships to Saudi students over four years according to the terms of an MoU with the Saudi Arabian General Investment Authority.

Indonesia

September 10: Shaikh Khalifa City, a gesture of generosity by the President of the UAE, Shaikh Khalifa bin Zayed Al Nahyan to alleviate suffering of tsunami victims, opens in Indonesia's Banda Aceh. The project consists of 1,033 houses and was built at a cost of Dh 18 million.

Philippines

April 8: The UAE Minister of Labor, Dr Ali bin Abdullah Al Kaabi begins his week-long visit to Manila to sign a MoU with Philippine Labor and Employment Secretary Arturo Brion in order to streamline and improve coordination between the labor agencies for a more systematic method of bringing in workers from the Philippines.

China

September 7: UAE Foreign Minister, Shaikh Abdullah bin Zayed Al Nahyan signs an MoU with the Minister of Foreign Affairs, Li Zhaoxing in Beijing to set up a team that will boost bilateral relations between the two countries. Another MoU pertaining to tourism was signed by other officials of the two countries.

April 10: And Omani delegation led by President of the State Council, Dr Yahya bin Mahfoudh Al Mantheri meets the Chinese Vice-President Zeng Qinghong. The recent establishment of 'His Majesty Sultan Qaboos bin Said Chair for Arab Studies' at the Beijing University is lauded by the Chinese side.

India

The UAE Foreign Minister, Shaikh Abdullah bin Zayed Al Nahyan arrives in India to participate in the Indo-UAE convention being held after 13 years. Key issues such as labor, energy, security, civil aviation and tourism are on the agenda

June 6: Two Indian Naval warships, INS Rajput and INS Betwa arrive in Kuwait on "a friendly goodwill visit" on the occasion of India's Independence Day.

Pakistan

June 12: The Foreign Minister of the UAE, Shaikh Abdullah bin Zayed Al Nahyan, calls on Prime Minister Shaukat Aziz in Islamabad to discuss matters of mutual interest.

July 5: The second political consultation meeting between the foreign ministries of Oman and Pakistan is held at the Foreign Ministry in Oman. The need to intensify joint action and co-operation in combating trafficking and smuggling among other issues is also discussed.

Nepal

September 15: There is a 65 percent increase in the number of Nepalese traveling to the UAE since the signing of an MoU between the UAE and Nepal after a job fair was held in Nepal on June 6 this year.

Vietnam

September 4: Vice-President and Prime Minister of the UAE and Ruler of Dubai, Shaikh Mohammed bin Rashid Al Maktoum, embarks on a two-day visit to Vietnam in the hope of establishing constructive bilateral economic, relations.

September 5: Vietnam hopes for a bilateral labor agreement with UAE in the near future to promote the welfare of Vietnamese nationals working in the emirates.

Sri Lanka

September 1: The Deputy Foreign Minister of Sri Lanka, Hussain A. Bhaila concludes his three-day visit to Kuwait. The transfer of prisoner agreement between Sri Lanka and Kuwait that is currently awaiting ratification by Kuwait is in the last stages of being finalized.

Gulf Research Center

Knowledge for All

Based in Dubai, UAE, the Gulf Research Center (GRC) began its activity in 2000 as a privately-funded, non-partisan think tank, education provider and consultancy specializing in the Gulf region. The GRC produces recognized research from a Gulf perspective, redressing the current imbalance in Gulf area studies, where regional opinions and interests are underrepresented. The GRC believes that the Gulf Cooperation Council has transcended the initial reasons for its establishment, to become a fundamental right of its citizens in the development of the region. The GRC seeks to further this belief by being an institution of distinction and innovative research that advances different aspects of development to ultimately benefit the people of the region.

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