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Region and Region Building in the Middle East Problems and Prospects

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Introduction

The paradox of the Middle East has been captured by its description as ‘a region without regionalism’ (Aarts, 1999). Despite the intensification of regionalism across the globe over the past two decades, the Middle East has been largely absent from that trend. From a comparative perspective, it has the lowest relative degree of regional integration in the contemporary world. (Kuhnhardt 2004:4) Apart from the ongoing conflict between Israel and its Arab neighbours, which makes any all-embracing regional project meaningless, the Arab countries have not created any long-term regional unity among themselves. The Arab League is one of the oldest regional organisations in the world, yet the Middle East has remained a region of conflict and instability and it has failed to create viable regional structures.

Both scholars of international relations and practitioners have tended to consider the Middle East as a region consisting of Arab Muslim states. In this paper the Middle East is considered as the geographical region consisting of the Maghreb, countries of the Western Mediterranean, the Mashreq countries of the Eastern Mediterranean, the Gulf countries, plus Iraq, Iran and Yemen. While it is generally assumed that strong cultural affinities like common language, religion, and similar cultural and historical backgrounds pave the way for regionalism, the Middle East represents a special case. Although the Middle East has strong cultural affinities and geographical proximity, it remains remarkably unintegrated according to the United Nations Economic and Social Commission for West Asia (ESCWA). The collective political structures that have taken the form of regional hegemonism have failed, and economic integration has not yet moved beyond rhetoric. (Aarts 1999:921)

The experience of the Middle East poses a number of ‘theoretical puzzles’ as to why countries do or do not integrate. According to Andrew Hurrell (2005), we still know very little about the conditions that lead to regional integration. He argues that most of the work on regional integration has simply assumed that the conditions existed and taken them for granted. Therefore, the Middle East presents an interesting case study for analysis. Originally both regional integration theories and the new regionalism approach were developed in order to understand successful regional projects.

The objective of this paper is to employ these theories to understand both ‘thesis’ and ‘anti-thesis’ of regionalism in the Middle East. The following questions will be explored through in the Middle East case. First, what are the reasons why there is so little integration in the Middle East, given the existence of factors that are commonly considered to be conducive to integration? Secondly, are the current conditions right for change, and for advancing regional integration in the Middle East? If yes, what are the possible promoters of regional integration? In order to answer these questions, the first section will present the conceptual framework for analysis of region, regionalisation, levels of regionness and regionalism, within which the Middle East will be analysed. In the second section traditional positive region building attempts in the Middle East will be explored, then the specific, negative factors that contribute to making the region an ‘anti-case’ of new regionalism will be analysed. Conclusions and prospects for the future will be presented in the final section.

I. The Middle East as a ‘region’

1.1 The ‘region’ in historical perspective

Regions and regionalism has always dominated the international system throughout world history. But regions as distinct identities from national and global entities in international system emerged only after World War I. In the 1920s, within the context of the League of Nations system, the legitimacy of regional groups and regionalist projects were affirmed.¹ Since the United Nations (UN) era the importance of regional action has been underlined. As a result of lobbying from Arab and Latin American states the UN legitimised regional agencies and offering them a formal role in conflict resolution.² With those efforts the basic principles of regional action and co-operation were established. (Fawcett 2005:28)

Changing economic conditions and new security concerns of the post-Cold War era have paved the way for ‘new regionalism’. Since the 1990s both the number and membership of regional organisations have proliferated as well as the scope of regional organisations. The ‘new regionalism’ is wider, deeper and far more multidimensional than the ‘old regionalism’. And today it is increasingly embraced as a strategy for countering the negative excesses of globalisation and as a strategy for development and stability.

Considering the history of regionalism it could be argued that the Middle Eastern actors have always been part of contemporary regionalism. It was the Arab states that lobbied for the legitimisation of regional agencies in the UN Charter. It was the Arab states that founded one of the oldest regional organisations namely League of the Arab States. Since then, numerous initiatives for pan-Arabic and sub-regional integration have been launched. Regarding regionalism in the South, Paul Noble noted that “*the Arab world is arguably the only meaningful international political system among the various continental and regional grouping of states in the Third World.*” (1991:72) This makes all the more puzzling why there is a relative lack of regional structures in the region today.

1.2 The Concept of ‘region’ in the Middle East

In order to clarify the conceptualisation of regions and regionalism Richard Stubbs identifies three central elements. The first concerns a common historical experience and common problems among geographically defined countries and societies. This gives a definition of ‘region’. The second concerns the close socio-cultural, political and economic linkages among countries and societies. (2000:232) These linkages constitute a ‘boundary’ to the region within which there are intense interactions. This intensification of interactions has been termed ‘regionalisation’ by Michael Smith (2001:57). The third element focuses on the extent to which “*the relations among particular groupings of geographically proximate countries have developed organizations to manage crucial aspects of their collective affairs.*” (Stubbs

¹ Article 21 of League of Nations’ Covenant <http://www.yale.edu/lawweb/avalon/leagcov.htm#art21>

² Chapter VIII, Article 52 of the UN Charter <http://www.un.org/aboutun/charter/>

2002:232) This element of design and conscious policy is central to 'regionalism'. (Smith 2001:57)

As far as the complexity and multi-dimensionality of post Cold War new regionalism trend is concerned the idea of geographically defined regions and state-led regionalisms have been replaced by a more diverse understanding. According to Fawcett (2004:24), understanding regions and regionalism demands a degree of definitional flexibility. Consequently, she proposes a multilevel and multipurpose definition, which moves beyond geography and states. In this regard, it is necessary to define regions in accordance to their '*incorporate commonalities*', '*interactions*' and '*the possibility of co-operation*'. Regions can be defined as "*units or 'zones', based on groups, states or territories, whose members display some identifiable patterns of behaviour.*" (Fawcett 2004:432) Within the framework of new regionalism debates regions are generally considered as social constructions, which are made and re-made by human agency. That is to say the membership and frontiers of a particular region are shaped by "*political and ideological struggle and the conscious strategies of states and social actors.*" (Grugel and Hout, 1999:9) Thus, the boundaries of the region are always subject to change and membership is a matter of political negotiation.

In the light of this definition the Middle East forms a region but not an all-inclusive region because of Iran and Israel. As a result of the political and ideological struggles in the region Iran and Israel have been excluded from regionalist projects. Apart from Israel and Iran Middle Eastern countries can be defined by various social, economic and political commonalities. Socially, the most common official language is Arabic, the common religion of the region is Islam in spite of sect differences and the majority of populations are originally Arab. Moreover, most of the Middle Eastern states have more or less similar historical backgrounds. With the exception of Egypt and Iran, which are among the oldest civilisations in world history, states in the region are independent states of post World War periods whose borders were drawn by colonial powers. Most of the regional economies are based on petroleum, crude oil and natural gas reserves, with the exception of Morocco, Lebanon and Jordan. Finally, the main political commonality of the region is a lack of democratic traditions and relatively weak civil society. In the security area almost all of them are very vulnerable to so called 'Islamic terrorism' and nuclear proliferation in the region.

As a result of these common characteristics most of the states have regular interactions in various frameworks like Arab Organisation for Agricultural Development (AOAD), Council of Economic Unity (CAEU), League of Arab States, Organisation of Islamic Conference (OIC), Organisation of Petroleum Exporting Countries (OPEC) and the Meeting of Iraq's neighbours etc. Considering all these commonalities in various sectors no doubt the Middle East forms a 'region'.

Regionalisation is defined as a "*de facto process, in contrast to regionalism which is the formal establishment of regions as political unit*". (Grugel and Hout 1999:10) It refers the process of increasing exchange, contact and co-ordination within a given region. In the Middle East, besides the state level of interaction through various organisational frameworks, there are many other informal interaction points through pilgrimage, refugees, labour market, aid relations, free zones etc. Thus, one can talk about an obvious regionalisation in the Middle East.

Finally, regionalism refers “a policy and project whereby states and non-state actors co-operate and co-ordinate strategy within a given region” and promotes common goals in specific issue areas. (Fawcett 2005:24) The progress of regionalism is determined by region specific geographical, political, economic and cultural concerns as well as region specific norms, values and practices. In sum, regionalism refers to a policy or project, which can operate above and below the state level. As the Middle East is at a very low level of regionness regionalism has not developed yet in the Middle East.

1.3 Levels of regionness in the Middle East

Hettne and Soderbaum describe the process of regionalisation in terms of ‘levels of regionness’ and define five levels of regionness: *regional space*, *regional complex*, *regional society*, *regional community* and *region state*. (2000:461-468) For Hettne levels of regionness may be considered as a natural history of a region. It may suggest a framework for comparative analysis of emerging regions and facilitate a better understanding of the endogenous dynamics. (2003:29) According to Hettne *regional space* is a geographic area limited by natural physical barriers. It is the territorial roots of region. However, the regional space is not static it changes with the process of regionalisation and increasing regionness. Increasing social contacts and transactions within the regional space indicates the creation of a *regional complex* and real starting point of the regionalisation process. In security terms the relations of embryonic interdependence constitute a security complex in Buzan and Weaver’s sense (2003).

The dynamics at the next level give rise to a variety of processes of communication, co-operation and peace building emerging between multitudes of actors. The rise in intensity of social relations along several dimensions such as security, economic, political and cultural lead to the establishment of a *regional society*. In the case of organised co-operation the region is defined by the list of countries that are members of the regional organisation in question. On the other hand, the convergence and mutually reinforcing character of the relations indicates the emergence of *regional community*. Convergence can take place in all fields like political regimes, economic policies and security arrangements. Finally a *regional state*, a regional institutionalised polity emerges as a result of the rise of a new more dynamic, secure and peaceful political entity. (Hettne 2003:28-29)

If one evaluates the level of regionness in the Middle East the region may fall somewhere between a *regional complex* and a *regional society*. In security realm, the Middle East constitutes a regional security complex. From the very beginning of the states system in the region the constituent units have been inter-dependent as far as their own security is concerned and a ‘balance of power’ or some kind of ‘concert’ is the security guarantee. In the realm of political economy, there is no transnational mechanism, for a functioning regional economic system. Consequently, Middle Eastern states look towards the larger external system rather than the region for trade and economic exchange. There is, however, limited economic co-operation among the six states of the GCC.

Considering the previously discussed conceptual framework the Middle East constitutes a region but not an all-inclusive one. Despite many region-wide

commonalities, sharing the same language, same religion etc., the region still shows low levels of regionness. In the following sections regionalism and region building attempts in the Middle East will be analysed within the framework of regional integration theory and new regionalism approach.

II. Region building in the Middle East

2.1 The Middle East and ‘regional projects’

According to Helge Hveem the strength of regional projects depends on “*whether they are able to establish clear and widely accepted perceptions that they enjoy a comparative advantage in resolving international governance problems.*” (2003:83) Within this context, Hveem identifies three different types of regional projects: *hegemonic, non-hegemonic* and *transnational*. In hegemonic regional projects generally leadership is associated with a major nation-state. Uncertainty of leadership creates instability and the project becomes non-viable. For the continuity of regional projects the hegemon should be benign towards other members of the project. (Hveem 2003:86)

On the other hand, non-hegemonic projects represent state-led and inter-state projects, which assume a degree of multilateral decision-making and shared leadership practices. This type of regional project is most often found in the decolonisation period and post-Cold War 1990s since it comes closer to preserving state autonomy than hegemonic and transnational projects. (Hveem 2003:87) Finally, transnational projects fall into two categories: corporate and societal. Even though both are carried out by non-state actors corporate and societal projects diverge according to their main intentions. The corporate actors are concerned with creating wealth through growth whereas societal actors concern with identity and redistribution of wealth.

A glance at the forms of regional organisations in the Middle East since 1945 proves that the Middle East does not lack regional projects. Moreover all states in the region are affiliated with one or two regional organisations, as shown in Tables 1a and 1b.

The most important regional organisation that incorporates all of the Arab States in the region is the Arab League. It was established in 1945 by Egypt, Iraq, Saudi Arabia, Transjordan, Syria, Lebanon and Yemen. Currently it includes all Arab states. Its immediate concern was to prevent the establishment of a Jewish state in Palestine. Even though the Arab League was created as an expression of Arab unity it guaranteed the independence and sovereignty of each Arab state. In this sense the Arab League is a non-hegemonic regional project, as its members feared being dominated by a regional hegemon.

However, according to Charles Tripp, the Arab League poses a specific problem for regionalism in the Middle East. The official justification and culture of the organisation has been explained in terms of the goals of Arab nationalism. But the Arab League has become a forum for tensions between governments that have sought to use the League to extend their own interests and reinforce their own security at the expense of others. (Tripp 1995:288) As a result of these tensions the Arab League, as a regional organisation, has proved to be ineffective in matters of major importance

Table 1a) Regional Groups and Unity Schemes in the Middle East

The Arab League	1945 -	Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalis, Sudan, Syria, Tunisia, UAE, Yemen
United Arab Republic	1958 - 1961	Egypt, Syria
United Arab Emirates	1971 -	Abu Dhabi, Dubai, Sharjah Ras Al-Khaimah, Umm Aal Qaiwain, Ajman, Fujairah
Federation of Arab Republics	1971 - 1973	Egypt, Syria, Libya
Gulf Cooperation Council	1981 -	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE
Arab Cooperation Council	1989 - 1990	Egypt, Iraq, Jordan, North Yemen
Arab Maghreb Union	1989 -	Algeria, Libya, Maritannia, Tunisia

Table 1b) Institutional Affiliations with Different Regional Organisations³

	OIC	LAS	LAS AOAD	OAPEC	GCC	AMU
Algeria	X	X	X	X	-	X
Bahrain	X	X	X	X	X	-
Egypt	X	-	X	X	-	-
Iran	X	-	-	-	-	-
Iraq	X	X	X	X	-	-
Israel	-	-	-	-	-	-
Jordan	X	X	X	-	-	-
Kuwait	X	X	X	X	X	-
Lebanon	X	X	X	-	-	-
Libya	X	X	X	X	-	X
Morocco	X	-	X	-	-	X
Oman	X	X	X	-	X	-
Palestinian A.	X	X	-	-	-	-
Qatar	X	X	X	X	X	-
Saudi Arabia	X	X	X	X	X	-
Syria	X	X	X	X	-	-
Tunisia	X	X	X	X	-	X
UAE	X	X	X	X	X	-
Yemen	X	X	X	-	-	-

³ This data is obtained from UNU CRIS Regional Integration Information System.

OIC: Organisation of Islamic Conference, LASAOAD: League of Arab States Arab Organisation for Agricultural Development, LAS: League of Arab States, OAPEC: Organisation of Arab Petroleum Exporting Countries, GCC: Gulf Cooperation Council, AMU: Arab Maghreb Union

like Arab attitudes towards Israel, reactions to Iraq's invasion of its fellow League member Kuwait, and global war against terror after September 11.

Preoccupations with Arab unity have led to a number of other unsuccessful regional projects including the United Arab Republic between Egypt and Syria (1958-1961) and Federation of Arab Republics initiated by Egypt, Syria and Libya (1971-1973) and Arab Co-operation Council initiated by Egypt, Iraq, Jordan and North Yemen (1989 – 1990). A rather more successful regional project has been the United Arab Emirates, which was initiated by Britain (1971). The Union had been intended to tie small Gulf Emirates. Bahrain and Qatar were not persuaded to establish a federation with other rulers whose interest would clash with theirs. On the other hand, the rulers of small Emirates agreed on the benefits of integration with richest Abu Dhabi. Despite the differences among the rulers of seven Emirates, the belief that they enjoy more freedom of action and security as part of the UAE has kept the federation together. (Tripp 1995:292)

The UAE inspired the emergence of the Gulf Co-operation Council (1981) that was based on similar concerns. The GCC expressed itself with economic co-operation but in fact it was established to enhance the security of its members, Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE and Oman. Despite the limitations of the GCC it proves that building a co-operative scheme on common concerns and addressing problems specific to the sub-region in question is more viable than pan-Arab co-operation. Consequently another sub-regional institution was established in 1989 by five North African states the Arab Maghreb Union (AMU) The reality of AMU proved less spectacular than the rhetoric of its foundation. In the economic sphere trade amongst members constituted only 4.5% of their total trade. (Tripp 1995:296) Moreover member states have competed for European markets rather than co-operate among themselves. In the political sphere reflecting differences in the Arab League, AMU members were unable to come up with joint decisions in regional crises like the Iraqi invasion of Kuwait and the global war with terror after September 11.

The post-colonial fears of nation states being dominated by a regional hegemon have led to consolidation of non-hegemonic regional structures in the region. But it is also because of this fear that a region-wide project like the Arab League has remained ineffective in terms of joint decision-making regarding important issues. On the other hand, the general lack of private sector in regional economies and lack of strong civil societies as a result of the dominance of authoritarian regimes and 'rentier states'⁴ has prevented transnational regional projects. Consequently non-hegemonic regional/sub-regional projects have prevailed in the Middle East. Furthermore, most of the above mentioned regional projects have been primarily concerned with security. Becoming part of regional structures governments have aimed at preservation of existing political order within and between nation states against potentially destructive political developments in the region or against endangering regimes.

In sum, the region has not lacked initiatives for regional integration in the past but none of the region-wide attempts have produced successful results. More recently a

⁴ In oil exporting countries the state is paid by the oil rent, which accrues to it directly from the rest of the world, and supports society through distribution or allocation of this rent, through various mechanisms of rent circulation. (Luciani 2005:90)

new initiative for economic integration have been launched such as the Greater Arab Free Trade Area (GAFTA). But its success remains to be seen.

2.2 The Middle East and ‘economic integration’

In the second half of the twentieth century, the process of international economic integration has manifested itself with particular intensity between countries tied by geographic proximity or by historical and political factors. A large body of theoretical and empirical research about regional economic integration has been developed since the 1950s. Since 1990s in accordance with liberal policies advocated by international financial organisations, globalisation and the ‘second’ wave of regional economic integration new theoretical and empirical debates have come to the market. However, despite the global trend of intensification of regional economic integration as a way of dealing with the harmful effects of globalisation to national economies, region-wide economic integration has hardly moved beyond the stage of rhetoric in the Middle East.

New economic integration theory emphasises the dynamics of regional integration, the interaction between trade and investment and the role of institutions as incentives for regional integration. Contemporary economic integration involves a number of small countries’ willingness to integrate with a large neighbouring country that plays the role of regional hegemon. For small countries regional integration is a means to strengthen their bargaining power in world trade negotiations. It is assumed that governments prefer regional integration arrangements like free trade areas and customs unions since negotiating with small number of countries reduces the number of special interests affected. They justify regional integration for the sake of exploiting the gains from economies of scale. It is argued that “*the formation of an enlarged regional market will lead to a dynamic restructuring as firms aim for optimal scale of production and lower production costs through economies of scale.*” (Gavin and De Lombaerde 2005:71) Furthermore, the enlarged regional market will provide the stimulus to competition and investment, which will break the monopoly of large firms in small countries previously protected by national tariff walls.

In general terms regional integration is defined as “*the voluntary linking in the economic domain of two or more ...states to the extent that authority over key areas of domestic regulation and policy is shifted to the supranational level.*” (Mattli 1999:41) Generally regional economic integration involves policy decisions to reduce or remove barriers to mutual exchange of goods, services, capital and people. The economic integration process is often represented as a staged process, going from a preferential trade area to a total economic integration. A free trade area, which means that the barriers and quotas to mutual trade are removed, still allows each member country to determine its own commercial relations with non-members.

As the second step of regional economic integration customs union requires its members to implement a common external tariff on imports from outside the union. With customs union it is aimed to facilitate goods to move freely throughout the union. The creation of a common market is the next step. At this step the obstacles for the free movement of labour, capital, services and persons are eliminated. The establishment of an economic union, which requires a common currency and/or the

harmonisation and unification of monetary, fiscal and social policies, is considered as the highest point of regional economic integration.

In the Middle East case one of the major obstacles to economic integration has been the 'colonial legacy'. Together with the colonial past of Middle East countries, the great powers' active engagement in regional affairs has created a colonial dialectic in the region. Thus, globalisation and related economic options of free trade and liberalisation have been perceived as a threat rather than an opportunity to be part of the global economy. Furthermore, the few countries that have reformed their economies in accordance with the recipes of the International Monetary Fund have failed. Thus, the region has no success story that can be shown as an example for others to promote free trade and liberalisation of markets. Consequently economic performance of the Middle East has been weaker compared to most other regions of the world.

In the region there is a stalemate between the oil-rich states and oil-poor states. Regional integration within the context of the League of Arab States was promoted by oil-poor states to share in the oil rent. Combined with a statist ideology, which attributed the primary role of promoting economic development to the state, this led to a vision of regional integration based on politicised inter-governmental relations. (Luciani 2005:98) As a result of the divisions between oil-poor and oil-rich states' most of the early regional integration attempts have failed. Today, the region is dominated by the dynamics between oil-rich and oil-poor states and the impossible integration between them since oil-rich states are not much keen on regional integration models.

As far as the Middle Eastern economies are concerned oil and natural gas have dominated the economies and non-oil exporting industries and activities have not developed. According to World Trade Organisation's statistics regarding 1999 – 2004 period USD 210.2 billion of region's⁵ total merchandise trade (271.5 billion) is fuels and mining⁶ only 66.6 billion of total merchandise trade consist of manufactured good and agriculture.⁷ Moreover, except some of oil rich countries regional governments tend to protect their economies with high tariff barriers and capital controls. Eliminating protecting tariffs may cause serious consequences for local industries and fiscal problems since tariffs constitute an important proportion of tax revenues. Middle East countries are dependent on tariff revenues more than any comparable middle or lower income countries. (Henry 2005:113) For years' non-tariff barriers such as inefficient customs clearance procedures, administration of complex customs documentation and divergent product standards and systems of assessing conformity with those standards constitute substantial barriers to intra-regional trade expansion. Thus, according to WTO statistics only 7.06% of total regional trade has been intra-regional. ⁸ (Table 2a

⁵ The Middle East data of the WTO includes data from Bahrain, Iraq, Islamic Republic of Iran, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen, and other countries and territories in the Middle East n.e.s. http://www.wto.org/english/res_e/statis_e/its2005_e/its05_toc_e.htm

According to WTO statistics Algeria's 97.9% and Egypt's 50.8% of total exports are fuels and mining products.

⁶ 1999 – 2004 average

⁷ 1999 – 2004 average

⁸ 1999 – 2004 average

and b) Moreover, the countries whose economies are dependent on non-oil exports have been competing for external markets instead of co-operation.

On the other hand joining the Euro-Mediterranean Partnership, proposed in 1995 by the EU, requires a progressive lowering of tariffs on non-agricultural products until the year 2010, when all protection is supposed to be eliminated. Within this context all of the Middle Eastern countries bordering on Mediterranean have signed free trade agreements with the EU but most of the countries in the region are delaying the internal reforms required by these agreements. (Henry 2005:113)

As a result of external pressure for free trade and market liberalisation, the Arab states launched the Greater Arab Free Trade Area (GAFTA) in 1998.⁹ The objective of GAFTA is to stimulate intra-Arab trade, encourage Arab and foreign investments and increase competition in domestic markets. Consequently further job creation and more growth in Arab economies are expected. GAFTA only in January 2005. Thus, Arab states are expected to implement effectively total tariff exemptions on all imported products of Arab origin. Furthermore, they are also expected to remove or reduce the barriers, otherwise little intra-Arab trade expansion will occur. It is also believed that GAFTA will boost the share of non-oil intra-regional trade. As it is a very new attempt at regional economic integration the success of GAFTA remains to be seen.

Even though regional economic integration on a pan-Arabist level remains weak as a result of the stalemate between oil-rich and oil-poor countries, there is successful sub-regional integration. In May 1981 the countries of the Gulf region ratified the charter establishing Gulf Co-operation Council (GCC). Although the genuine purpose of GCC was to maintain internal and external security against the newly established Islamic Republic of Iran, which was perceived as a threat to smaller Gulf States, the grand talk was about GCC being about economic co-operation. (Aarts 1999:912) Accordingly GCC leaders adopted an economic agreement setting the stage for full economic integration.

Table 2a) Intra-regional Trade ¹⁰

	Intra-regional Trade (billion dollars)	Share of intra-regional trade flows in region's total merchandise exports
2004	22	5.6
2003	22	7.3
2002	17	7.1
2001	18	7.6
2000	17	6.5
1999	14	8.3
Average	18.3	7.06

⁹ Bahrain, Iraq, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE and Yemen are part of GAFTA.

¹⁰ Data is obtained from WTO's statistics

Table 2b) Trade Partners ¹¹

	Breakdown in economy's total exports - By main destination	Breakdown in economy's total imports - By main origin		Breakdown in economy's total exports - By main destination	Breakdown in economy's total imports - By main origin
Algeria	EU - 54.0% US - 23.6% Canada - 5.9% Brazil - 5.6% Turkey - 4.2%	EU - 54.8% US - 5.9% China - 5.0% Japan - 3.6% Argentina - 3.2%	Morocco	EU -73.9% US - 4.1% India - 3.5% Brazil - 2.8% Switzerland - 1.1%	EU - 55.7% Russian Fed. - 5.7% Saudi Arabia- 5.4% China - 4.2% US - 4.1%
Bahrain	Saudi Arabia - 6.3% US - 3.7% Taipei, China - 2.7% EU - 2.0 India - 1.6% Unspecified - 74%	EU - 18% Japan - 6.2% Saudi Arabia - 5.8% China - 3.4% China - 3.4% Unspecified - 42%	Oman	UAE - 6.9% Korea, Ro -5.9% EU - 2.5% Iran - 1.6% Saudi Arabia-1.6% Unspecified-73.4%	UAE - 32.4% EU - 26.3% Japan- 14% US - 4.9% India - 3.7%
Egypt	EU - 34% US - 8.5% India - 7.5% Saudi Arabia - 3% Turkey - 2.3%	EU - 27.8% US - 11.7% China - 4.9% Russian Fed. - 3.4% Brazil - 3.4%	Qatar	Japan - 41.6% Korea, Ro -15.7% Singapore -9.1% India -5.4% UAE- 3.3%	EU -45.9% US -9.6% Saudi Arabia - 9.5% UAE-6.3% Japan - 5.2%
Iran	Japan - 23.7% EU - 14.9% UAE - 2.7% Iraq - 1.3% Azerbaijan - 0/9%	EU - 39% UAE - 12% China - 5.5% Korea, Ro - 4.6% Russian Fed. - 4.1%	Saudi Arabia	Taipei, China-31.7% US- 21% Japan - 14.9% EU - 13%	EU-32.7% US - 16.3% Japan - 11.1% China - 5.3% Australia - 3.5%
Israel	US - 36.7% EU - 27.8% Hong Kong, China - 4.9% India - 2.7% Turkey - 2.1	EU - 41% US - 14.9% Switzerland - 6.5% China - 3.5% Japan - 2.9%	Syria	EU - 53.9% Iraq -9.6% Turkey -6.8% Saudi Arabia -6.6% Lebanon -3.7%	EU -16.1% Ukraine -7.9% China -7% Russian Fed.- 4.9% Saudi Arabia- 4.7%
Jordan	US - 26.2% Iraq - 18.8% India - 6.5% Saudi Arabia - 5.4% Syria - 3.9%	EU - 23.6% Saudi Arabia - 19.9% China - 8.4% US - 6.7% Egypt - 3.7%	Tunisia	EU -83.3% Libya -3.6% US -1.2% Algeria -1.1% Turkey -0.9%	EU -69.8% Libya -3.3% Russian Fed. - 3.1% US -2.8% Turkey - 2.5%
Kuwait	Japan - 20.3% US - 11% EU - 7.8% Taipei, China - 3.8% Singapore - 2.2% Unspecified - 45.5%	EU - 33% US - 10.6% Japan - 9.6% Saudi Arabia - 6.5% China - 4.4%	UAE	Japan -30.9% Taipei, China-18.9% Iran - 5.1% EU - 3.2% Oman - 2.5%	EU -33.1% Japan -7.8% US -7.5% China -7.3% India -6.1%
Lebanon	Switzerland - 24.9% EU - 11.4% Iraq - 8.0% UAE - 6.8% Saudi Arabia - 6.8%	EU - 44.4% China - 7.4% US - 6% Russian Fed. - 4.5% Japan - 3.8%	Yemen	Thailand - 29.2% China -28.9% India -13.3% Singapore -4.8% Korea,Ro -3.2%	EU -18.7% UAE -16.7% Saudi Arabia - 8.7% Kuwait -6.6% China - 6.2%
Libya	Non available	Non available	Iraq	Non available	Non available

The Council decided to take all necessary steps towards realising all stages of full economic integration. As a first step a Free Trade Zone was established in 1993. The GCC also aims to adopt a common currency by 2010. Since its establishment common policies for investment in petrochemical and industrial projects for saving energy have been adopted, separate passport controls for GCC nationals at the airports in the region, and freedom of capital and labour have been realised. Steps towards

¹¹ Data is obtained from WTO's statistics

transform of a free trade zone into a common market have been taken. Furthermore, all GCC countries seem committed to implement a common currency by 2010. Considering these achievements, the GCC has proved that it is a sub-regional economic organisation even though it was established in response to security threats.

In sum, the balance sheet of the region regarding economic integration shows mixed results. In spite of the general failure of pan-Arab economic integration, attempts at sub-regional economic integration have proven to be relatively successful. However, the success of the latest economic integration project, GAFTA, still remains to be seen.

2.3 The Middle East as anti-thesis of ‘*new regionalism*’?

Constructivist arguments of “*understanding inter-subjective structures allows us to trace the ways in which interests and identities change over time and new forms of cooperation and community can emerge*” and “*political communities are constructed by historically contingent interactions*” with regard to international co-operation have inspired the new regionalism approach. (Hettne and Söderbaum 2000:460) The new regionalism approach argues that there are no natural or given regions, rather regions are created and recreated through interactions of various endogenous and exogenous factors. According to Hettne regions are in a constant evolution and change. “*A region must be understood as a process and as a social construction.*” (2003:28)

Hettne argues that in order to analyse emerging regions the endogenous approach must be combined with exogenous approach. (2003:29) The NRA’s understanding of contemporary regionalism emphasises both endogenous perspective, by arguing ‘*regionalisation is shaped from within by a number of different actors*’, and exogenous perspective, by arguing ‘*regionalisation and globalisation are intertwined articulations of global transformation*’. (Hettne 2002:2) Since the new regionalism is closely linked to globalisation, regions should be understood with their global interactions. This helps one to see how the impact of globalisation varies between different conditions of regionness, thus creating different pathways of regionalisation. Globalisation is considered as the major exogenous challenge, which provokes regionalist responses.

The dialectic between endogenous and exogenous perspectives is explained by Karl Polanyi’s great transformation concept. New regionalism approach applies Polanyian dialectical approach in order to understand the dialectic between globalisation and regionalisation(s). “*The trends towards the creation of regional formations throughout the world can be seen as one political attempt (among others) to manage the social turbulence...*” (Hettne 2003:32) Processes of globalisation and regionalisation are shaped by contesting social and political forces. According to Hettne, the second great transformation takes place in a global context with various reflections in different local contexts such as local protests. However, to be accounted as part of second transformation local level protests should address global issues. (Hettne 2003:33)

As it is assumed that regionalism emerges from the internal dynamics of regions, and from the motivations and strategies of regional actors, it is essential to analyse region-specific characteristics of the Middle East in order to analyse regionalisation and

regionalism. One of the distinctive characteristics of the region, at it was mentioned earlier, is the petroleum, oil and natural gas dominated economies. As a consequence the rentier state paradigm prevails in the region. The most important feature of rentier state is that *“being financially independent of society and indeed having in a sense society on its payroll, it is autonomous (in the sense of not being accountable) and does not need to seek legitimacy through democratic representation.”* (Luciani 2005:92)

Besides these oil-rich rentier states the region consists of praetorian regimes, which prevail in some Arab states (Egypt, Syria, Iraq, Algeria, Libya) and failed states like Lebanon has been until recently. In the Middle East states lack legitimacy, being unaccountable to their people, to say nothing of peoples and states belonging to a broader regional entity. (Fawcett 2005:190) Moreover, as most of the regimes are not legitimised in public eyes one of the major concerns of regional ruling elites is to protect their national regimes.

The democratic deficit has negatively affected the emergence of strong civil societies and private sectors in the region. Therefore, the role of civil society and private business has remained minimal in region building. However, it does not mean that non-state actors have not played any major role regarding regionalism in the Middle East. Negatively, it can also be taken to include regional terrorist and criminal networks. As regimes are not legitimised in their constituencies’ eyes various groups, partly political parties, partly militia, have filled the vacuum and declared themselves as representatives of particular societies and peoples. Most well-know political groups of this kind are Hezbollah, which has massive support of Shiites in Lebanon, the Muslim Brotherhood, which is very popular in Egyptian society, Islamic Salvation Front (FIS), which is very powerful in Algeria, Hamas and Islamic Jihad, which are operating in Gaza Strip.

These counter elites have been seeking to mobilise popular support mainly on the basis of Islam and states have failed to marginalise these groups. The failure of state institutions and the absence of independent political parties give rise to these Islamist groups in the region. Through these groups a ‘second movement’ has occurred as a response to the ‘first movement’, which has been identified with ‘Western influence’. In defence of Muslim societies of the region against Western culture and civilisation these groups have interacted with each other and with global radical groups like al-Qaida. Therefore, a negative regionalisation has occurred to prevent the region’s integration into the global system. Consequently, region building in the new regionalist sense has not been realised. In other words, the region still falls somewhere between the great transformation and great compromise.

Conclusions and Prospects for the Future

This paper has assumed that the Middle East constitutes a region based on Muslim Arab identity. However throughout its post-independence history the *‘successful means of marrying identity and interests’* (Fawcett 2005:189) of the nation states has not been found. Consequently, region-wide regionalism attempts have proved to be ineffective. Region specific characteristics of the Middle East, oil and natural gas dominated economies, dominance of authoritarian regimes, rentier states, lack of

democratic tradition, weak civil society, and the role of Islamist visionary groups have caused obstacles for region building in the Middle East. As a result of all these region-specific characteristics the Middle East constitutes an 'anti-case' for the positive theory or regionalism.

In the Middle East 'regimes' are still the most important part of political affairs of the region. As a result of the relative weakness of civil society and private sector Islamist visionary groups like Muslim Brotherhood, Hezbollah and Hamas have expanded their power throughout the region. Expansion and deepening of the affects of globalisation in all areas of life, political, economic and cultural, caused a societal response from these groups in defence of Muslim values. This double movement has not concluded yet and the dialectic of regionalisation and globalisation continues. Thus, the end product of this double movement, great transformation or great compromise, still remains to be seen in the Middle East.

Since September 11 a new political agenda has emerged in the US and Europe to foster political and economic reform in the Middle East. This tendency poses several challenges for states in the region. In general regionalism is assumed to have the potential of conflict prevention and conflict resolution. In this light region building in the Middle East has been supported internationally as a political project to contribute to world order by providing regional security and stability. Therefore, regional institutional frameworks to provide regional development and security have been supported technically and financially by international financial organisations and aid agencies as well as the Euro-Mediterranean Partnership, the Greater Middle East Partnership Initiative, and Partnership for Progress and Common Future with the Middle East. Through these programmes not just regional actors' integration in the globalisation progress, but also the establishment of democratic governments in the region, is the goal.

In spite of the previous failures in democratisation and regime change the international environment is moving against the current regimes in the Middle East. They are being pressured to open up to international trade and to democratise. The schemes towards establishment of free trade areas, which are pursued by the US and the EU, may pave the way for regional integration. With the implementation of free trade, the control of the authoritarian governments of non-rentier states over their economy will be limited. On the other hand; the oil-rich rentier states also face challenges. According to Luciano, the Gulf countries suffer problems with their ageing leadership, but they are showing signs of reacting to new challenges: municipal elections in Qatar, granting political rights to women in Kuwait etc. Even though it is difficult to separate the responsibility of government from that of the ruling family the external and domestic pressure for reform may succeed in required changes, which however fall short of democracy or government accountability to popularly elected representatives. (Luciano 2005:100)

Besides the prospects for region-wide democratisation and economic liberalisation, major changes in the overall energy scenario for the Middle East may also cause changes in regional dynamics. It is predicted that in the next 25 years natural gas may displace petroleum. Unlike oil, which has been mainly dominated by the Gulf States, almost all Maghreb and Mashreq countries are involved in natural gas industry as well as the Gulf States. This paradigmatic change of energy scenario may ease the

traditional tensions between oil-rich and oil-poor states of region and pave the way for more successful regional integration in the future.

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