ARTICLES

Reacting to Global Forces: Economic and Political Integration of the Gulf Cooperation Council

Dr. Bessma F. Al-Momani*

Abstract:

The Gulf Cooperation Council (GCC) was created in the early 1980s as part of the first wave of regionalism, fulfilling a security need in the Gulf Region. Since the end of the 1990s, the GCC has expanded its economic and political integration, moving from a free-trade area, to a customs union, to an economic bloc that hopes to emulate the European Union. This paper explores the reasons why the GCC has embarked on furthering economic and political integration in the context of the 'new regional approach'. Lessons to be learned and questions raised from the deepening integration of the GCC are added to the expanding 'new regional approach' literature.

Introduction and Overview:

Originally established in 1981, the Gulf Cooperation Council (GCC) had loosely united the six rich Gulf oil-producing states of Saudi Arabia, Kuwait, United Arab Emirates, Oman, Qatar, and Bahrain. Originally conceived of as a security organization - to counter perceived threats from Islamic Revolutionary Iran, Baathist Socialist Iraq, and the Soviet incursion into Afghanistan - the GCC quickly expanded into an economic bloc. In 1983, the GCC free-trade area was enacted, allowing the free flow of goods and labour of GCC members within the region. Integrating GCC foreign policy and decision-making have also been on the GCC agenda. By 2003, the GCC developed into a customs union, devising common external tariffs. Today, the GCC has embarked on creating an economic union,

(*) Assistant Professor, And Fellow of the Centre for International Governance and Innovation, University of Waterloo, Department of Political Science, Waterloo, Ontario, Canada.

integrating their economic and political systems to include a monetary union by the end of 2005, a common market and a single currency by 2007, and a future federal structure to resemble the European Union (EU).

The purpose of this paper is to use the GCC case to further illuminate the 'new regionalism approach'. The GCC has transcended from being a regional organization reflective of the 'old regionalism' wave to the 'new regionalism' wave. Can the empirical experience of the GCC provide new insight into the 'new regionalism approach'? New regionalism approach has helped to contextually connect regionalisation and global forces. The theoretical approach is full of arguments about why and how regionalisation is progressing. There is paucity, however, of empirical testing of the approach. Can it explain the deepening of the GCC? What can the experience of the GCC add to the 'new regionalism approach'? These are the questions addressed in this paper.

New Regionalism Approach: A Reaction to Global Forces?

Since the end of the Cold War, there has been a resurgence and deepening of regional organizations that has gained scholarly attention. Economists working in trade, or market, and integration theory have been mainly concerned with whether expanded regionalism hinders (led by Jagdish Bhagwati) or propels (led by Robert Lawrence) economic liberalization and multilateralism. This regionalism as 'stumbling-block or stepping-stone' debate is often nested in trade issues and reframed as follows: Does regionalism divert trade and undermine trade liberalization, forming defensive trade blocks, or does regionalism create trade thereby further institutionalizing and supporting multilateralism and the work of the World Trade Organization. This debate has preoccupied economists and spawned a literature on various cross-comparative and historical empirical studies.(1)

Beyond the economic, or more appropriately trade, debate of what regional integration means for multilateral economic integration, is the issue of what political economy trends this new wave might bring. What effect would this new regional integration have on global governance structures. This has led some to argue that perhaps the rise of regionalism could be a 'new multilateralism' where a non-hierarchical system of both top-down (from international organizations) to bottom-up (from civil society organization) and those in between (from regional organizations and others) are used in addressing governance.(2) Perhaps, regional organizations are created, like a 'domino-effect' or 'chain-reaction', where non-members join or create regional associations to ensure that states have continued access to globalization.(3) Regardless of the Impetus to join regional organizations, it is generally argued that the post-Cold War features 'open regionalism', where regions are export-promoting and are reflective of interdependence.(4) In other words, after the end of the Cold War, regionalism, like states, competed in the economic arena rather than in the political security arena. Regional organization meets 'complex interdependence' to produce 'open regions' seeking competitive advantage in globalization.

Political scientists have transcended economists' orthodox integration theory to incorporate a multidimensional and interdisciplinary analysis of regionalism.(5) This 'new regionalism approach', originally coined by the United Nations University/World Institute for Development Economics Research (UNU/WIDER) project in Helsinki, has spawned new scholarly literature further explicating this new rise in regionalism which took off at the end of the 1980s. There are noted distinctions between the old, or first wave, regionalism and the new, or second wave, regionalism. Where 'old regionalism' is 'introverted' and understood in the context of bipolarity and the Cold War, American hegemony, and state-centric behaviour; 'New regionalism' is 'extroverted' and understood in the context of multipolarity of the post-Cold War era, relative decline in American hegemony, and the rise of transactional, non-state actors and global forces that are challenging the state.(6)

But what are the connectors between new regionalism and global forces? For some, regionalisation is a reaction tot he hegemonic forces of global capitalism. States, particularly weak and vulnerable states, opt to cushion their domestic economies from the unstable global economic shocks through regionalization while maintaining their commitment to economic liberalization.(7) The recent Asian cries for a regional monetary union in reaction tot eh 1997 Asian/IMF crisis, is case in point of how state leaders perceive regionalism as an added layer of protection against the vulnerabilities of global capital shocks.(8) And, for others, regionalism gives the third-world states market access that would have otherwise been more difficult under multilateral terms.(9) In particular, negotiating third world access to multilateral institutions like the World Trade Organization is an exhaustive and technically intense process. For developing countries, regional organizations can serve as 'spring-boards' to multilateralism, benefiting the bureaucratic and technical process of WTO accession or trade rounds.

What differentiates new regionalism from the old one is that new regionalism is an 'offensive' response to global economic shocks.(10) Taking this one step further is the notion that third world, weak or vulnerable, state leaders increase their regional economic interdependence to gain a stronger collective voice in international economic negotiations.(11) In this context, regionalism is an interlocutor, or an 'in-between' of states and the global political economy.(12) Regional groupings help states bargain with more powerful economies in the globalization process.

This 'offensive' response can greatly benefit otherwise weak and less powerful states, helping to equalize the playing field with regional groupings, rather than the uneven playing field of nation-states.(13) Again, this (somewhat public-choice) analysis could be used further to argue that within the regional groupings there are begemons and free-riders coalescing with the intended benefit of strengthening their collective positions. This pragmatic response to creating a collective voice was facilitated by the end of the Cold War, allowing third world states to find a collective voice outside the scope of superpower fights for spheres of influence.(14) One could add that after the Cold War, regional hegemons could now overtly ascend to power without creating superpower fear and consequent reprisals.

More importatantly, perhaps, is the argument that state leaders use regionalism to continue to participate in globalization rather than to avoid it. States delegate some of their decision-making authority and capacity to regional associations to facilitate governance. This 'pooling of sovereignty' is a response of state leaders, who find that merging governance makes managing the challenges of globalization easier to handle.[15] In this sense, new regionalism is also a reaction to neoliberalism attenuation of state capacity to govern in an age of economic liberaliazation and interdependence.[16] With globalization, the nation-state is hollowed-out to 'a defective state', where its exterior appearances remain strong, but their internal making is weakened by global forces.[17] In the language of the 'new regional approach', the process of regionalism (politically and state-led) is a growing state acceptance of the need to respond to the changes brought on by regionalisation (primarily market and structural-led) and globalization.[18]

States voluntarily join regional organizations because of their need to pool sovereignty, but others add that domestic coalition groups will favour regionalisation as globalization develops. In particular, globalised firms will demand trade liberalisation of national leaders when: firms need reciprocal access to open markets in other regional members, export firms significantly add to the national growth accounts and thereby gain political access to national policy-makers, and finally, intra-firm trade grows between subsidiaries located throughout the region.[19] Those who favour liberalization include export-oriented firms, and highly skilled labour employed in export promotion; in contrast, those who oppose liberalization and invariably regionalisation include import-oriented firms, those tied to the military-industrial complex, industrial workers, and intelligentsia supporting a nationalist vision.[20] As states increasingly liberalise their economies, outward-looking distributional coalitions will support leaders and governments in regionalism projects. The 'new regional approach' then, suggests that states voluntarily choose to deepen integration, not because of top-down superpower pressure, but because within the state there are distributional coalitions either supporting or pushing for regionalism.

Notwithstanding this voluntary choice of states to enter and deepen regional organizations, what role does the events of September, 11th play and the apparent unipolar drive of US foreign policy. Have American efforts to bypass multilateralism and form pluralist networks of 'coalition of the willing' changed the course of regionalization or regionalism? What role will the 'war on terrorism' and the rise of a unilateralist American power have on 'regionness'? Some have purported that the United States might promote or support regional formation, particularly in perceived failed-states, as access points to be used to spread its preferred policies.(21) It could be further argued that the United States would support regionalism for its added layer of governance and therefore added layer of accountability and responsiveness in the 'war on terrorism'. Taking them these arguments and applying on one of the strongest regional organizations in the most under applied place of inquiry, the Middle East, is therefore useful. What explains deepening integration and regionalization of the GCC states?

Deepening Integration of the Gulf Cooperation Council

The GCC serves to be a useful case study because it transcended from the 'old wave of regionalism', a security bloc that was introverted and protectionist understood in the context of the global Cold War and the Arab Cold War (a division between Arab Republics and Arab Monarchies exploited by superpower conflict), to the 'new wave of regionalism', a deepening integration of economies with the intention of creating stronger links with globalization and multilateralism (open regionalism). What are the lessons learned from this deepening process in the GCC that could be used to build the 'new regional approach' literature? First, a background on GCC's historical development and deepening integration.

At the time of GCC's inception, members first envisioned a security organization to counteract the bid for Gulf hegemony and perceived threats emanating from Baathist Iraq, Iran, and the Soviet Union. The GCC declared a commitment to collective security, albeit neither of the members were capable of contributing military forces to counteract any of the three noted security threats.[22] I argue that the relatively low-populated GCC could not effectively amass military personnel and strength, and it became apparent that the GCC was better off getting 'hired help'. After the end of the British protectorate over Gulf Security, the 1980 Carter Doctrine gave GCC the security umbrella needed to protect their sovereignty. This was made ever more apparent in the 1990-91 Gulf War, when both Kuwait and Saudi Arabia resorted to depending on a US-led coalition for regime reinstallation and security. Others add that GCC security integration can be better explained by perceived internal threats, namely rising radical Islamist groups operating and living within the GCC member states that were ideologically supported by Shiite radicalism in post-revolutionary Iran.[23] Nevertheless, the security rationale for GCC existence soon diminished because of inherent weaknesses in members' military capabilities. I would argue that the GCC, like many other international organizations that have seen their raison d'etre adjust to reflect changing circumstances, rationally decided to make better use of the institutional structural by focusing on their economic mandate.

Secondary to security interests, the GCC members initially hoped that provisions for economic integration would enhance intraregional trade. Members did not foresee the organization as an economic or political bloc. As the regional organization developed the GCC continued to declare common, albeit impotent, security commitments to mutual defence; however, the GCC added commitments to deepening economic integration. These 'spillover' effects proved successful and economic integration deepened for several years ahead. Unable to progress on the security front, the GCC expanded its economic agreements and further deepened its economic union.

The GCC has also considered expanding its own membership to include neighbouring countries, such as Yemen which was allowed to monitor several GCC meetings. Yemen, a relatively poorer Arab country with a large labour pool, could provide some needed labour to the GCC. Yemen is keen on joining the organization, but GCC members remain cautious. Analysts suggest that Yemen must do more about enhancing its security and fiscal budgets before accession can be discussed.[24] Saudi Arabia has vetoed Yemeni membership into GCC. The GCC has also signed bilateral free trade agreements with Lebanon, and is in negotiations with Turkey, Jordan and China. Individual members of the GCC, including Oman, Bahrain, and the UAE, have signed bilateral trade agreements with the United States. The influence of the US Middle East Free Trade Area on the GCC is further discussed below. The EU-GCC are also nearing a free trade agreement by the end of 2006.

In 2001, made effective in 2003, the GCC agreed on a common external tariff, applying 5% tariff on most imported merchandise and 0% on items listed as 'essential'. Members have agreed on the 'rules of origin', whereby local products must contain 40% local value added and 51% local investment. Members also agreed to prohibit certain items deemed unsafe or morally objectionable.[25] Among the many challenges overcome by GCC integration was the removal of customs borders and allowing goods to be internally moved uninterrupted. This required improving member coordination at the point of entry into the GCC, while differing authority to national authorities to uphold intraregional agreements.[26] This notably required cooperation of members, like the United Arab Emirates, which have port services catering to other GCC members.[27]

In the first few years following the creation of the GCC and the commitment to free trade, intraregional trade increased significantly, in absolute terms, from almost little internal trade to $5.8 billion worth of trade.[28] That said, intra-regional trade continued to remain low as most countries exported oil to non-GCC states, and imported luxury goods and hi-tech goods from non-GCC members. Compared to other regional associations, the GCC's intraregional trade remains exceptionally low: merely 7% of member's total trade in 2000; in contrast, the EU boasts 55% intraregional trade.[29] Deepening interregional trade is no expected to bear much fruit in the years to come. Much of the problem is the continued limited 'complementarity' of intraregional trade.

Despite relative similarities in culture, intra-regional economic cooperation in the GCC is very low, lower than intra-regional exports in Africa.[30] Intra-regional trade has been limited because of two interrelated factors that are chiefly structural. **First**, the GCC members have similar resources and production structures; accordingly, each country has a low comparative advantage with its neighbour. This lack of complementing trade patterns explains why GCC countries trade is heavy with the European Union. **Second**, each GCC economy is relatively small and unable to provide economies of scale in production.[31] There is a significant amount of inefficient and protected industries that further limit the successful adoption of an export strategy. Moreover, state-owned enterprises inhibit intra-industry trade, as few input goods are used from neighbouring GCC states. This lack of intra-industry trade is prevalent in the GCC because members are protective of their oil industry.[32]

Breaking down rentier behaviour in GCC countries will be a domestic challenge, as infant industry protection was entrenched in a few members' economic system. Saudi Arabia had the greatest challenge in having the common external tariffs lowered.[33] Saudi Arabia had historically followed an import-substitution industrialization policy that subsidized local industrial production.[34] The Kingdom also supported its domestic industries through imposing tariffs on products competing with local industries. Other GCC members, like Bahrain, Kuwait, and Oman, added 20% tariffs on products competing with local industries.[35] As of 2000, the GCC agreed to cease imposing these 'protective tariffs', and instead compromised to allow input goods and machinery sued in infant industry production to obtain duty exemptions.[36]

The GCC is now in the process of creating a monetary union and eventual single currency that is hoped to enhance the attractiveness of their economies to foreign investment and facilitate commerce with the many small, but capital-rich, economies of the GCC. Most of the GCC members already peg their currencies either to the SDR or to the US dollar. Consequently, economists including IMF staff suggest that with added institutional provisions, like the creation of a GCC central bank, currency unification should be unproblematic.[37] Some analysts predict the new GCC currency will also be pegged to the US dollar, primarily because OPEC oil receipts are already billed in US dollars.(38) That said, there has been a lack of public awareness about the proposed Khaleej Dinar within the region.(39)

The GCC proposals for a monetary union, however, are not going to make the GCC a magnet for direct foreign investment. The economic reality remains that GCC states are primary oil producing and exporting states, with an overall labour shortage that inflates the price of labour and requires a significant pool of both skilled and menial labour to fill domestic needs. This ‘Dutch Disease’ situation makes the GCC generally unattractive to foreign investment. Related to this, the socio-cultural climate is less welcoming to foreign, primarily Western, corporations’ executives and personnel. The generally conservative, autocratic rule of the GCC sheikdoms makes it difficult to attract high level executives and skilled labour to work in the region. Aside from he conservative, and inhospitable business environment, is the actual desert climate which again makes business in the GCC problematic. While it may be that GCC states, particularly Saudi Arabia, have tried to diversify their oil-exporting economies notably in the petrochemicals sector, the impetus for deepening regional integration seems to be less motivated by local economic factors than by global political factors. These global factors are studied in turn.

Global Forces and Reasons for GCC Integration:

Championing GCC integration is Saudi Aravua, and of the GCC members it is the most affected by georegional changes. Historically, Saudi Arabia has played the leading role in the GCC, with the GCC permanent secretariat is located in Riyadh. Saudi Arabia has the largest GCC economy (in terms of GDP) and largest population. While Saudi Arabia has to bear the greatest adjustment costs in liberalizing its state-led sector, it also has the most to gain in strengthening the collective voice of the GCC in relation with the United States and the European Union. Meanwhile, Saudi Arabia continues to try and meet World Trade Organization accession rules and has been irked by US efforts to create bilateral free trade agreements, in its Middle East Free Trade Area (MEFTA) with its smaller neighbours.(40)

The GCC states, led by Saudi Arabia, have pushed increased

GCC integration in a reaction to global forces: 1) US efforts at creating bilateral agreements with regional members, 2) further regionalization and integration of major trading partners, like the EU, and 3) accession negotiations with the WTO. In other words, the GCC has promoted greated integration to enhance its members' bargaining and political power with other regionalisation projects and in multilateral negations.

First, the United States has either signed or announced bilateral free-trade agreements with three of the six GCC members as part of the US-sponsored plan of a Middle East Free Trade Area to be in place by 2010. Besides the Bush administration political and military interventions into the region's affairs, the American government has recently proposed expanding trade and economic relations with friendly Middle East states, concentrating heavily on the small oil-rich producing states of the Gulf. To advance America's strategic interests, the Bush administration has resorted to sue its economic instruments of power. Robert Zoellick, former US Trade Representative, proclaimed that the United States credo would be to advance trade and economic liberalization - bilaterally, regionally, and globally - as tools toward enhancing American political control and influence.(41) This credo has been adopted in the US' plans for a Middle East Free trade Area (MEFTA).

For American business interests, the economic benefits of a MEFTA are relatively small, but for the US administration the prospects of creating political peace in the region makes MEFTA worthy. The United States hopes that a MEFTA will create economic linkages that can normalize strained relationships and offer institutional mechanisms to resolve and prevent political disputes in the Middle East. The proposed MEFTA builds on previous American administrations attempts to increase intra-regional economic cooperation. The MEFTA plan would encourage Middle East states to adopt economic liberalization, join the World Trade Organization, protect American corporate investment, and modernize their political and economic systems.

Saudi Arabia has vocally opposed the United States' bilateral agreements with GCC countries, arguing that bilateral agreements undermine the GCC economic union. As the United States continues to try and create more bilateral agreements with the small sheikdoms, with the blatant sidestepping of Saudi Arabia, the Saudis have in turn worked more feverishly to deepen GCC integration. This has played out publicly in Gulf media sources. After great internal bargaining, the Saudis agreed that US bilateral free trade agreements would not contravene GCC principles. That said, I argue that the impetus of Saudi Arabia, in particular, to accelerate GCC integration further is being propelled by US efforts to regionalize the region.

Second, the deepening of the GCC is also a reaction to further strengthening of the European Union. For the GCC, the EU is a significant trading partner, primarily a market for GCC petroleum products and GCC foreign, mainly capital, investment. The GCC hopes to gain added market access for its petroleum products through agreements on lowering European petroleum taxes. The GCC is the EU's 5th largest export area of machinery, and high industrial goods. Countries like Saudi Arabia, which had a relatively moderate agricultural sector, also look to gain increased access to the EU market, GCC-EU trade negotiations on a free-trade agreement intensified in 2004, as the EU Strategic Partnership with Mediterranean countries intensified. The GCC pushed for finalizing the EU-GCC free trade agreement, but the EU wanted the GCC to better coordinate internal financial systems before signing the agreement. For the EU, fostering warm relations with the GCC serves to maintain oil trade and gain influence in oil markets and Middle East regional affairs. Finally, for Saudi Arabia, the EU trade negotiations were useful springboards to the acceptance at the WTO.

Third, some had argued that it would be difficult for many Arab Gulf states to fulfil the needs and requirements of WTO accession, because their wealth delayed economic liberalization.(42) Saudi Arabia, for example, recently gained membership into the WTO after years of protracted negotiations. Saudi Arabia, in particular had increasingly found it difficult to enter the WTO because of the statist policies it had followed. At the same time, Saudi Arabia pressed feverishly to have its accession into the WTO since September 11th. It is argued that Saudi Arabia may have gained relatively less from liberalization of trade and services and deregulation of state activity, because its main export, petroleum, is excluded from the WTO. Why was Saudi Arabia anxious to join the WTO? The incentive to join the WTO is more related to the symbolic and political value GCC countries gain in WTO accession.

It is argued that some Arab states are clamouring to join the WTO because they perceive that in the post 9-11 political environment they have to prove their worthiness to join the international community. After September 11th, many Arab states are on the defensive about their commitments to join the liberalized and globalized world. Saudi Arabia, in particular, is sensitive about the Saudi connection and background of the September 11th suicide bombers. The Saudis have continued to fight a public relation campaign to reassert its image as a pro-Western regime. This had not been an easy battle, further complicated by roadblocks in WTO rules require unanimity of members' votes to approve an application of accession. New WTO members get an international seal of approval on their economic policies, and, more important for Saudi Arabia after September 11th, its international policies. This argument suggests that there are fewer economic advantages to joining the WTO than there are international political advantages in doing so.

Learning From the GCC Case Study:

What the GCC case study has helped illuminate about the 'new regionalism approach' is that perhaps regional organizations are grouping in reaction to global forces of change. GCC states have supported regional integration to better their collective position and voice in globalization. The GCC has increasingly become open, extroverted, and export-oriented. The drive for this includes the end of the Cold War, but also the end of the Arab Cold War and pacification of regional threats which might be more applicable in the Gulf Case. Regime change of Iraq and the watchful international eye on both Iran and Syria, contributed to conducive regional environment to deepen economic, as well as, political integration (which is a much longer term goal still in its infancy).

All of the GCC states have repeated their commitments to globalization and have not used deeper integration of the GCC to fortify their economies. On the contrary, the GCC has been further liberalized beyond the terms of GCC integration and actively encouraged export promotion (in areas other than oil as well). The integration of GCC has helped improve its collective voice in international negotiations with both the EU and the WTO members in terms of accession. Again, the argument could be made and furthered in the New Regionalism Approach literature that in addition to cushioning weaker, smaller states from the forces of globalization, regionalism also provides the technical training and learning needed to advance in multilateral negotiations.

Regions, in this context, are ‘spring-boards’, improving negotiation skills, knowledge, and access to multilateral negotiations. It is also useful to iron out difficulties at the local, regional level before moving to negotiations at the multilateral level. Saudi Arabia, in particular, gains from this process. Also, GCC members still not acceded to the WTO, look at regionalisation and the prospects of other inter-regional trade agreements as possible access to the global market that would not have been available otherwise. Again, as the GCC can collectively negotiate agreements with other regions, those other members have less to disagree with in accession talks at the WTO.

Regionalism, for the GCC and especially Saudi Arabia, has been an effective interlocutor between the region and the EU, WTO, and the US. Drowning out the single voice of the individual GCC member serves to strengthen the bargaining position of the group while not bringing scrutiny to any member. Again, Saudi Arabia has much to gain from insulating itself in a group, deflecting attention away from its precarious situation in the US war on terrorism. Engaging with the international community serves more than an economic purpose, for states like Saudi Arabia, it serves a symbolic and diplomatic purpose. Regions as interlocuor, or in-between, is a useful concept and application in the case of the GCC. But it helps to add that for states caught in the US war on terrorism and unipolar pull of the United States, it helps to have regional organizations act as the in-between. The current state of international affairs post 9-11 cannot be factored out of the ‘new regionalism approach', especially with regard to regions like the Middle East and South Asia that are targets of the US war on terrorism.

While the case provided may not be generalized or replicated, the study serves to enhance our understanding of regionalisation and a new theoretical approach to viewing the proliferation of competing and overlapping regional organizations. The GCC case may be special, but it helps to offer an alternate understanding of this regional organizations. It should be noted that the GCC is taken as a unitary actor and entity for sake of ease in investigation, but there is a domestic level of analysis that should also be considered in getting a whole picture of the situation. The individual countries of the GCC are similar to outsiders, but have individual characteristics and political constraints not examined in the study.

Conclusion:

The GCC has embarked on deeper integration of its regional organization. From a security organization, that soon proved impotent, to an economic organization. The GCC has integrated their members aggressively in recent years. What explains deepening GCC integration? The 'New Regionalism Approach' suggests that global factors can help explain these changes, and indeed it is suggested that GCC deepening integration is a reaction to a multitude of interrelated global forces: deepening of the EU; rising US hegemony via MEFTA; and WTO accession talks. The GCC case also adds the point that members may deepen regional integration for symbolic, political reasons in addition to economic reasons.

References

1 - See Raimo Vayrynen. (2003) "Regionalism: Old and New" *International Studies Review*, Vol. 5, 25-51; Baldwin, Richard E. 1997. "The Causes of Regionalism" *The World Economy* 20 (7): 865-888.

2 - Robert Cox, ed., The *New Realism; Perspectives on Multilateralism and World Order* (London/Tokyo: Macmillan/United Nations University Press, 1997).

3 - Richard Baldwin. (1997), "The Causes of Regionalism". *The World Economy* 20(7): 865-888; Yoshinobu Yamamoto, 1996, "Regionalization in Contemporary International Relations", in Van R. Whiting, (Ed) *Regionalization in the World Economy: NAFTA, the Americans and Asia Pacific*, London and New York: Macmillan, pp. 19-42.

4 - Vincent Cable & David Henderson (eds). (1994), *Trade Blocs? The Future of Regional Integration*, Royal Institute of International Affairs.

5 - Bjorn Hettne. (1999), Andras Inotai and Osvaldo Sunkel (Eds.) *Globalism and the New Regionalism* Helsinki: UNU/WIDER.

6 - Bjorn Hettne and Fredrik Soderbaum. (2000), "Theorising the Rise of Regionness" *New Political Economy* Vol 5, No. 3, p. 457-473. Also see Michael Schulz, Fredrik Soderbaum, and Joakim Ojendal. "Introduction: A Framework for Understanding Regionalization," in *Regionalization in a Globalizing World*. Shulz et. Al. (Eds.) London: Zed Books, 2001.

7 - Theodore Pelagidis and Harry Papasotiriou. (2003), "Globalisation or Begionalism? States, Markets and the Structure of International Trade", *Review of International Studies* Vol 28. 519-535.

8 - Breslin, Shaun and Hibbott, Richard. (2003), "New Regional-

ism(s) in the Global Political Economy. Conceptual Understanding in Historical Perspective'' *Asia Europe Journal* Vol. 1, 167-182; Breslin, Shaun and Higgott, Richard ''Styding Regions: Learning from the Old, Constructing the New,'' *New Political Economy*. Abingdon: Nov 200. Vol. 5, Issue 3.

9 - Diana Tussie. (2003), ''Regionalism: Providing a Substance to Multilateralism?'' in *Theories of New Regionalism*. Fredrik Soderbaum and Timothy Shaw (Eds.) London: Palgrave MacMillan.

10 - Breslin, Shaun and Higghott, Richard. (2000), ''Studying Regions: Learning from the Old, constructing the New,'' *New Political Economy*. Abingdon: Nov. Vol. 5, Issue 3p. 339.

11 - Breslin, Shaun and Higgott, Richard. (2000), ''Studying Regions: Learning from the Old, constructing the new,'' *New Political Economy*. Abvingdon: Nov. Vol. 5, Issue 3p. 339.

12 - See Morten Boas, ''The Trade-Environment Nexus and the Potential of Regional Trade Institutions'' *New Political Ecojhomy*. Abingdon: Nov 2000. Vol. 5, Issue 3, p. 415-432.

13 - Percy Mistry. (2003), ''New Regionalism and Economic Development'' in *Theories of New Regionalism*. Fredrik Soderbaum and Timothy Shaw (Eds.) London: Palgrave MacMillan.

14 - Percy Mistry. (2003), ''New Regionalism and Economic Development'' in Theories of New Regionalism. Fredrik Soderbaum and Timothy Shaw (Eds.) London: Palgrave MacMillan.

15 - Bjorn Hettne. (2003), ''The New Regionalism Revisited'' in *Theories of New Regionalism*. Fredrik Soderbaum and Timothy Shaw (Eds.) London: Palgrave MacMillan, p. 23.

16 - James Mittleman. (1998), ''Rethinking New Regionalism'' in *Globalism and the New Regionalism*. New York: St. Martin's Press.

17 - Susan Strange. (1995), ''The Defective State'' Daedalus. Spring, p. 55-74.

18 - For a distinction between 'Regionalism' and 'Regionalisation'

see Andrew Payne & Andrew Gamble, ‘Introduction: the Political Economy of Regionalism and World Order’, in: Andrew Gamble & Anthony Payne (eds), *regionalism and World Order* (Macmillan, 1996).

19 - Marc Busch and Helen Milner. (1994), ‘‘The Future of the International Trading System: International Firms, Regionalism, and Domestic Politics,’’ in *Political Economic and the Changing Global Order*, Richard stubss and Geoffrey Underhill (Eds.). Basingstoke: MacMillan Press.

20 - Etel Solingen. (1997), ‘‘Economic Liberalisations, Political Coalitions, and Emerging Regional Orders’’ in Regional Orders: *Building Security in a New World*. David Lake and Patrick Morgan (Eds).

21 - Richard Falk. (2003), ‘‘Regionalism and World Order: The Changing Global Setting’’ in *Theories of New Regionalism*. Fredrik Soderbaum and Timothy shaw (Eds.) London: Palgrave MacMillan.

22 - See Abdulla Baabook. (Winter, 2004), ‘‘Dyanmics and Determinants of the GCC States’ Foreign Policy, with Special Reference to the EU’’ *The Review of International Affairs* 3, 2.

23 - Scott Cooper and Brock Taylor. (2003), ‘‘Power and Regionalism: Explaining Regional Cooperation in the Persian Gulf’’ in Finn Laursen (ed) *Comparative Regional Integration: Theoretical Perspectives* Aldershot: Ashgate.

24 - Abdel Rahman Al-Rashed, ‘‘Conditions for Yemen’s Accession to the GCC,’’ *Ash-Sharq Al-Awsat*, Saudi Arabia (8 May).

25 - Jayanta Roy and Jamel Zarrouk, ‘‘Completing the GCC Union’’ World Bank, 6 June 2002, p. 4.

26 - Jayanta Roy and Jamel Zarrouk, ‘‘Completing the GCC Union’’ World Bank, 6 June 2002, p. 4.

27 - Jayanta Roy and Jamel Zarrouk, ‘‘Completing the GCC Union’’ World Bank, 6 June 2002, p. 11.

28 - Michael Cain and Kais S. Al-Badri. (Feb. 1989), ‘‘An Assessment of the Trade and Restructuring Effects of the Gulf Cooperation Council’’ *International Journal of Middle East Studies* Vol. 21, No. 1, p. 68.

29 - Humayon A. Dar and John R. Presley. (2001), ‘‘The Gulf Cooperation Council: A Slow Path to Integration?’’ in *The World Economic: Global Trade Policy 2001* Peter Lloyd and Chris Milner (Eds.) Blackwell Publishing: p. 1163.

30 - World Trade Organization, *International Trade Statistics* 2002. (Geneva: WTO, 2002).

31 - Bernard Hoekman and Patrik Messerlin, ‘‘Ininitial Conditions and Incentives for Arab Ecnomic Integration,’’ *Policy Researcg Working Paper* No. 2921 (Washington DC: World Bank, October 2002), 13.

32 - Hoekman and Messerlin. ‘‘Initial Conditions and Incentives for Arab Economic Integration,’’ p. 15.

33 - Humayon A. Dar and John R. Presley. (2001), ‘‘The Gulf Cooperation Council: A Slow Path to Integration?’’ in The *World Economic: Global Trade Policy 2001* Peter Lloyd and Chris Milner (Eds.). Blackwell Publishing: p. 1162.

34 - See Mohamed Ramady, *The Saudi Arabian Economy: Policies, Achievements, and Challenges*. Springer, 2005.

35 - Jayanta Roy and Jamel Zarrouk, ‘‘Completing the GCC Union’’ World Bank, 6 June 2002, p. 7.

36 - Jayanta Roy and Jamel Zarrouk, ‘‘Completing the GCC Union’’ World Bank, 6 June 2002, p. 1.

37 - Ugo Fasano and Zubair Iqbal. (2002), ‘‘Common Currency’’ *Finance and Development December*, Vol. 39, No. 4. p. ?.

38 - Some warn against this as GCC and US economic growth are negatively correlated, making GCC currency artificially depreciated when the American economy is strong, See Emilie Rutledge, ‘‘High Time for a Single GCC Currency’’ in

alJazeera.net. 3 October 2005. http://english.aljazeera.net/NR/exeres/6472D68F-7D5D-4F37-A7AE-C345CEF5117B.htm

39 - Mohammed Suleiman Al-Ahmad, ‘‘No Public Awareness of Gulf Single Currency,’’ Al-Yom Al-Elektroni, Saudi Arabia, (7 August).

40 - Robert Zoellick, ‘‘Global Trade and the Middle East: Reawakening a Vibrant Past,’’ (Remarks, World Economic Forum, Dead Sea, Jordan, June 23, 2003), http://www.ustr.gov/; See Bessma Momani. ‘‘American Proposals for Political and Economic Integration in the Middle East’’ paper presented to the International Studies Association. Istanbul, Turkey, August 2005. www.ats.uwaterloo.ca/˜bmomani

41 - Robert B. Zoellick, ‘‘Our Credo: Free Trade And Competition’’ *The Wall Street Journal*, July 10, 2003, http://www.ustr.gov/speech-test/zoellick/2003-07-10_WSJ.htm.

42 - Cecilia Klein, ‘‘Joining the Global Rules-Based Economy: Challenges and Opportunities for the GCC,’’ (Remarks, Twentieth in the Capitol Hill Conference Series on US Middle East Policy, Middle east Policy Council, Washington, DC, February 1, 2000), http://www.mepc.prg/public_asp/forums_chcs/20.asp/.