

KNITTING THE FABRIC OF REGIONAL GOVERNANCE:

THE UNIQUE MODEL OF THE GULF COOPERATION COUNCIL

OCCASIONAL PAPER

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Knitting the Fabric of Regional Governance: the Unique Model of the Gulf Cooperation Council

Occasional Paper

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*"The question to ask is not who is winning the battle [for access], but rather how the market can accommodate the divergent needs of the individual players and encourage the cooperation that has become more prevalent in recent years."*¹

Common regional interests and particularly common regional (and, most of the times, global) concerns have been the main drivers of the proliferation of international organisations, at least since the end of World War II. Collective action at the regional level primarily aimed at strengthening links and commonalities among developed and developing countries might be the best framework to describe international relations as we know them today.

The dynamics behind the creation of cooperative bodies that protect states and their interests vary according to historical, political, social and economic dimensions, and sometimes lead to an overlap in missions and objectives. However, in the words of Professor Reyadh Alasfoor, all regional and international organizations "possess the thread of commonalities that binds together their members into an organizational fabric."²

The question that remains unanswered at this stage is whether regional or global integration is truly capable of increasing and accelerating the rate of development and wealth of countries that decide to pool shares of their sovereignty and act in concert. The answer depends on where on the map we decide to focus our analysis and, even in that case, on how much sovereignty states are willing to give up. The Gulf, in particular, is a good starting point when trying to investigate different models of regional cooperation.

The Gulf is the place to be

The Gulf Cooperation Council (GCC), established in Riyadh, Saudi Arabia on 25 May 1981 through an agreement concluded among Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) is a *sui generis* model of regional cooperation which remains a rather unique experiment in the Arab world. Although its origins may be traced to the widespread perception of insecurity left by the departure of the British Empire from the region at the beginning of the 1970s, the GCC has evolved into a more economic and energy-interest focused medium of cooperation, especially given the pivotal relevance of the region due to its abundance in natural resources.

Having become the epicentre of commercial interests and geopolitical significance in the 1930s, some decades after oil deposits were found, the Gulf found itself in a vacuum when the British 'safety net' abruptly disappeared and left the littoral sheikdoms to deal with a newly discovered golden era of independence. Before then, regional integration and cooperation were not on the Gulf monarchies' agendas for various

1 Joseph Stanislaw in Anreas Goldthau & Jan Martin Witte, 'From Energy Security to Global Energy Governance', *Journal of Energy Security*, March 2010 Issue, www.ensec.org/index.php?option=com_content&view=article&id=234:from-energy-security-to-global-energy-governance&catid=103:energysecurity%20issuecontent&Itemid=358.

2 Reyadh Alasfoor, *The Gulf Cooperation Council: Its Nature and Achievements. A Political Analysis of Regional Integration of the GCC States 1979-2004*, Lund Political Studies 149, Department of Political Science Lund University, 2007, www.svet.lu.se/Fulltext/Alasfoor.pdf.

reasons. Rivalries between Iran and Iraq hindered any attempt of concretely creating a union of states that could develop into a regional institution, and it was superfluous to think of founding a multilateral organization when Great Britain was guaranteeing the stability of the region.

The 1980s, however, brought about a different situation in the Gulf when Iran adopted an Islamic form of government and fomented a widespread sense of insecurity and vulnerability in the region. It was time for the small and oil-rich Gulf monarchies to roll up their sleeves and embrace the idea that they were now the real managers of the region's strategic relevance. It took ten years after Great Britain's departure before proposals to create the Cooperation Council of Arab Gulf States were officially accepted (1981).

Gulf monarchies gradually came to the conclusion that sharing the same geographical space, having similar religious, linguistic and historical ties, and especially possessing most of the world's oil reserves meant they were part of a homogeneous unity. The same political systems and interests entailed similar developmental problems and security concerns. It is specifically this homogeneity that makes the region extremely particular, since with resource wealth (especially when this wealth derives from hydrocarbons) often comes threat to stability and security.

While oil wealth and economic prosperity allowed for dramatic transformations and rapid development, Gulf countries had to come to terms with the necessity of planning for the future and the awareness that potential instability would now have disastrous effects on global energy markets. As Bartosz Bojarczyk states, "[s]ince the first energy crisis of the 1970s, the role of the [...] Gulf region as a reservoir of vast hydrocarbons' resources has gradually increased to the level of fragile but essential interdependence between the region and the global economy."³

It is not exaggerated to say that the Gulf's strategic location and natural resource bonanza make it one of the most important spots on the map. Because of this extraordinary role in the energy market, Gulf monarchies soon realised that oil production was their lucky charm. Energy, in fact, represents one of the most important foundations and drivers of the GCC and its members' commitment to regional cooperation. After all, energy markets, like any other markets, are structured by institutions which are created by political entities at the national and international level.

A sui generis model for regional integration

Gulf monarchies flourished and developed thanks to their economies' hydrocarbon revenues. Growth has been possible not only because of the abundance of resources, but especially through the creation of a regional model of integration which could take shape not only thanks to cultural, political and social similarities, but also due to that abundance. Heavy reliance on a single source of wealth is an issue that Gulf countries are attempting to overcome by focusing on diversification and looking at renewables. These countries understand that diversification is of uttermost importance, especially if the final aim is reaching self-sustainable economic growth.

The type of interdependency that the GCC has cemented among its members is very different from any kind of cooperation effort we know today, not only because of the internal rules of the game, but especially due to the role the organisation and its constituency have in the international arena. Kristian Coates Ulrichsen discusses this perhaps unique integration:

The breadth and depth of Gulf states' enhanced engagement in global issues [...] propelled them into the global arena largely on their own terms, but has not been accompanied by any substantive identification with the notion of 'global governance'. State-centric visions of inter-state cooperation, rather than attachment to normative concepts of global governance, still motivate GCC policy makers to project their interests globally, primarily in order to bolster their domestic and regional position.⁴

3 Bartosz Bojarczyk, 'The Gulf Cooperation Council – regional integration mechanism', *Annales Universitatis Mariae Curie-Skłodowska*, Vol. XX, 1, 2013, http://annales.umcs.lublin.pl/tt_p.php?rok=2013&tom=20§io=K&numer_artykulu=05&zeszyt=1.

4 Kristian Coates Ulrichsen, 'Rebalancing Global Governance: Gulf States' Perspectives on the Governance of Globalisation', *LSE Global Policy Journal*, Vol. 2, No. 1, 2011.

Interestingly, Gulf countries, though the type of regional integration model they shaped diverts from “normative attachment[s] to [the] concept of global governance”⁵, are however bound to and engaged in the global state of affairs since they are some of the most important global players. The energy sector represents the niche in which Gulf countries accept notions of globalisation in a relaxed way. The question is whether this positive attitude is presage of potentially increased involvement in already established structures of global governance.

Current challenges

As stated in the previous section of this paper, the Gulf region is one of the most important places in the world, especially when discussing the relevance of energy to regional cooperation. Hydrocarbons’ wealth, as we claimed previously, is one of the most significant foundations and drivers of regional cooperation among Gulf monarchies as they sit at the Gulf Cooperation Council (GCC) table. This section will focus on current challenges facing the region, and how greater regional cooperation via the GCC or other initiatives could address these issues.

Regionally, these countries have demonstrated a certain degree of interest in cooperating in different fields, energy being one of the most prominent. Energy diversification strategies, for example, initially developed in the 1990s (although at a very slow pace) and became more prominent during the new oil boom of 2002-2008.⁶ Although long-term projects and policies are mostly still formulated at the national level, in past years the more specific issues of diversification, reducing energy intensity and developing a coherent strategy for energy efficiency “moved rapidly up the policy agenda [...] and several countries in the GCC are now in the process of designing integrated strategies to address energy consumption and displace fossil fuels in the energy mix.”⁷ Integration of objectives due to common interests and concerns should encourage the GCC to create concerted projects aimed at energy efficiency and consumption management.

As many analysts point out, the Gulf is one of the fastest-growing geographic areas, not only in economic terms but also demographically. Increased population growth means increased demand of power and electricity, which has to be met by central governments and could be part of a more integrated and regional strategy.⁸ According to UNDP and World Bank data, electricity consumption per capita in the region is surpassing that of major industrialised countries: Kuwait’s and Qatar’s levels, for example, are higher than those of the United States.⁹ It now seems clear that the Gulf monarchies may not be able to keep up with increased electricity demand in the future, and, in addition to compounding factors like unemployment, risk a disastrous collapse of their oil-and-gas-dependent economies. Meeting these demands while avoiding energy waste and guaranteeing energy conservation could be done through diversification and more efficient use of regional oil and gas wealth. This would mean transitioning from a rent-based extractive economy to a knowledge-based productive one, in a regional and holistic manner rather than through case-by-case strategies.¹⁰

Although most GCC countries are now increasingly focusing on long-term renewable energy policies and frameworks, implementation is still of concern due to lack of technology and efficient know-how. The first step towards a more integrated strategy in the field of demand and consumption management, together with the development of renewables, is coordination of comprehensive strategies. As some high-

5 Ibid.

6 ‘Assessing Investment Policies of Member Countries of the Gulf Cooperation Council’, *Stocktaking Analysis prepared by the MENA-OECD Investment Programme*, available: www.oecd.org/mena/investment/Preliminary%20assessment%20GCC%20inv%20policies.pdf.

7 ‘Cooperation for Energy Conservation in the GCC Countries: An Expert Workshop on Strategies and Aspirations’, *Chatham House – Energy, Environment & Resources Summary*, 16 May 2013, available: www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/160513summary.pdf.

8 ‘Energy on demand: the future of GCC energy efficiency. Middle East Energy and Resources – Managing scarcity for the future’, *Deloitte*, p. 4, available: www.deloitte.com/assets/Dcom-MiddleEast/Local%20Assets/Documents/Industries/Energy%20&%20resources/E&R%20whitepapers/me_er_whitepaper4_energy_efficiency.pdf.

9 Steffen Hertog and Giacomo Luciani, ‘Energy and sustainability policies in the GCC’, *The Centre for the Study of Global Governance*, Number 6, November 2009, p. 3, available: www.princeton.edu/~gluciani/pdfs/Hertog%20Luciani%20paper%20published.pdf.

10 See footnote 6 above.

level experts asserted during the concluding workshop of the GCC Energy Intensity Project¹¹, the Gulf Cooperation Council should be strengthened because of the important regional role it has and because energy is an excellent field for cooperation and collaboration.¹²

Although the GCC represents a fine tool for intergovernmental cooperation, bureaucracy and inefficiency hinder the development of integrated projects and commitment. The integrated grid is an example of such sluggishness, add the experts invited to the above-mentioned workshop: “the idea was proposed in the 1980s, it took 4-5 years to finance the initial study that showed that every country would benefit. It then took 20 years to decide to implement it but now it is there, everyone is happy with it...”¹³ The same is true about the emergence of the concept of diversification at the beginning of this section: although discussion began in the 1990s, GCC countries started drafting frameworks and policies just in the last 5-6 years. Governments are currently showing impressive steps towards clean energy plans in the direction of low-carbon and green growth. As the final report of the GCC Energy Intensity Project clearly points out, however,

*“[I]n all GCC countries the effectiveness of plans hangs in the balance, chiefly owing to governance challenges, lack of market incentives and unpredictable political support. The GCC countries as a whole have an advantage over many other countries in their potential for financing efficiency and introduction renewable energy, the relevant infrastructure and communications technology. However, achieving this requires significant shifts in the way governments intervene in and regulate the energy sector. **The GCC countries are in a position to benefit from the experiences of other countries, but their unique features – climate, political economy and administrative legacies – demand special attention to governance design [emphasis added].”**¹⁴*

Challenges to governance in the field of energy should be overcome, for the simple reason that energy is the Gulf strength and, as we claimed in the first part of this paper, its lucky charm. Instead of fragmented policies, integrated cooperation should be achieved especially when dealing with energy efficiency and conservation issues, as these are national and regional challenges with global impacts. Such initiatives aim to raise the international status of the GCC and its impact on the ‘platform of energy cooperation’. Through such “existing and scaled-up initiatives and targets, the GCC countries could then punch above their weight with joint CO₂ emissions reduction commitments.”¹⁵

Merging energy policies and policy-making mechanisms can only bring about better management of increasing energy demand, as well as widespread knowledge and understanding of the concepts of energy efficiency and conservation. Lack of awareness is causing concern among international observers, and constitutes a major barrier to energy efficiency and technological know-how. Regional commitment is a solution, especially in enabling cooperation among countries that surely have different concerns and experiences but who have characteristics in common, such as climate, hydrocarbon-based economies and energy production and prices.¹⁶

In the next and final section, we will discuss the challenges the GCC will be facing in the future with special reference to renewables and what could be done to support their development.

11 Between 2011 and 2013, Chatham House organised a series of six workshops inviting participants from partner institutions, policy makers and technical experts from Saudi Arabia, Oman, the United Arab Emirates, Qatar and Kuwait on the subject of strategies aimed at reducing energy intensity. The workshops were all part of the GCC Energy Intensity Project which focused on addressing practical targets to reduce energy intensity in the GCC region and increase energy efficiency. The project put together experts from government, academia and industry who shared valuable experiences and discussed challenges and prospects. The end product was a report which can be found on the Chatham House website (www.chathamhouse.org/research/eedp/current-projects/gcc-energy), together with the reports of each of the six workshops.

12 See footnote 7 above.

13 Ibid.

14 Glada Lahn, Paul Stevens and Felix Preston, ‘Saving Oil and Gas in the Gulf’, *Chatham House Report*, August 2013, p. iv, available: www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/0813r_gulfoilandgas.pdf.

15 Ibid. p. vii.

16 Ibid. p. 32.

Challenges ahead

At the beginning of this paper we posed the question of whether regional or global integration is truly capable of increasing and/or accelerating the rate of development and wealth of countries that decide to pool shares of their sovereignty and act in concert. Throughout our analysis, we have shown how the Gulf Cooperation Council represents a *sui generis* model of regional integration and cooperation which remains unique, at least in the Arab world.

That geographical, cultural, historical, and religious homogeneity – just to mention a few of its elements – was continuously highlighted through this paper for the simple reason that it constitutes what should bring the GCC members closer together. This should happen not only because common concerns and interests usually facilitate cooperation, but particularly in view of what analysts tend to define as the *end of the oil era*. As we have already asserted in the previous sections, Gulf countries need to plan for a future without the resources that have allowed them to astonishingly prosper in the past. Reliance on single sources of wealth is a very risky proposition in this future. Furthermore, demographic increase, rapid urbanisation, climate change, energy inefficiency, and rising water demands are just a few of the issues Gulf countries should deal with in concert, especially if the objective is to attract capital for investment and costly technology and know-how.

Diversification, green energy, efficiency and renewables are some future-oriented keys to sustainable economic growth, and luckily gas and oil are not the only sources of wealth the Gulf region has. According to statistics, “the GCC countries are in a rainless region extending from North Africa to Central Asia which has 80% clear skies throughout the year.”¹⁷ Solar energy, thus, is one the most promising resources for what we may refer to as a second stage of the Gulf’s golden age. Developing renewables and taking advantage of this solar potential would mean switching to clean production of electricity while exporting gas and oil, a strategy that has worked wonders, in for example, Norway.¹⁸

It should be signalled that Gulf monarchies have started to be more actively engaged in greener projects. Masdar City (Abu Dhabi, UAE), created in 2008 to become the most eco-friendly city in the world, can be without any doubt considered as “successfully pioneering a ‘greenprint’ for how cities can accommodate rapid urbanization and dramatically reduce energy, water and waste.”¹⁹ Energy City Qatar, launched in 2006, on the other hand, is dedicated to hydrocarbons and will offer the first Middle Eastern centre for above ground resources, a major energy hub created to “enhance the Gulf region’s ability to capture critical revenue streams from hydrocarbons.”²⁰ According to recent news, Energy City Qatar will soon incorporate solar panels in the developments of its buildings, thanks to a recent Memorandum of Understanding signed with Qatar Solar Technologies.

The Gulf and the wider Middle East are stepping up their game by planning the creation of an increasing number of renewable projects in order to shift power generation. Saudi Arabia, for example, plans to install 23,9000 MW of renewable energy before 2020.²¹ However, the challenges ahead are numerous. Despite the fact that the region is overcoming the traditional suspicion of investment in non-hydrocarbon sources, developing infrastructure and technology and attracting foreign capital and know-how may not as easy as they seem. There are still a lot of setbacks for this resource-rich region, such as the particularly dusty and in places humid climate which make it very difficult to reach the efficiency levels that render these new projects feasible, or, more importantly, the fact that subsidized hydrocarbons would still produce electricity for cheaper. Together with better management of resources, more interest in energy efficiency, and in the regional development of infrastructure and technology, these are only a few of the fields in which a more cooperative and active Gulf Cooperation Council could make a significant difference. Regional integration of policies and projects, although challenging, could represent the right formula for a more energy efficient, less carbon-dependent, and more future-oriented Gulf region.

17 Danyel Reiche, ‘Energy Policies of Gulf Cooperation Council (GCC) countries – possibilities and limitations of ecological modernization in rentier states’, *Energy Policy*, 38, 2010, p. 2396.

18 Ibid.

19 To learn more about Masdar City, please visit the official website at: www.masdar.ae/en/city/detail/one-of-the-worlds-most-sustainable-communities-masdar-city-is-an-emerging-g.

20 For more information, please visit www.energycity.com.

21 Mary Sophia, ‘The Middle East Eyes Solar As Easy Oil Era Ends’, April 26, 2014, available at: <http://gulfbusiness.com/2014/04/middle-east-eyes-solar-easy-oil-era-ends/#.U2v4-fQW2Sr>.



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