

The Diplomat

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Saudi Arabia at G20 An Economic Powerhouse on the World Stage

**Roads to Arabia:
A Walk through
History**

**Saudi-US Relations
Beyond Oil
and Security**

**Saudi Ambassador to Greece
Saudi-Greek Relations
Deep Rooted in History**



HRH Prince Saud Al-Faisal
Foreign Minister

A Bridge of Cultural Diplomacy

Saudi Arabia, a treasure land for a large number of rare artifacts and antique masterpieces, has launched a cultural diplomacy initiative to bring people and nations closer, as well as to bridge differences among religions, cultures and ethnicity. While a nation's policies or history can be misunderstood or termed unpopular, a country's cultural activities can best represent how a nation envisions itself and how it wants to conduct itself in this modern world--which must be made a better place to live in.

This is what has prompted us to stage an exhibition at the famous Louvre Museum in Paris, which is showing a new dimension of this historically and culturally rich country for those willing to understand us and to interact with us within the framework of a cultural exchange program. More than 7,000 years of Arabian history have been put on show at the prestigious Paris museum, where the "Roads of Arabia, Archaeology and History of the Kingdom of Saudi Arabia" is underway until Sept. 27, 2010.

The 300 masterpieces and works, that have never left the country before, are on display at the Louvre Museum. Many masterpieces have never even been seen back home in the Kingdom. The exhibition includes statues, gravestones, jewelry, manuscripts, textiles, glass and bronze statues--many predate the spread of Islam in the seventh century. One can, I am sure, feel the essence of culture of Saudi Arabia if one sees the rare exhibits currently on display in Paris.

I am happy that I inaugurated that important event with my French counterpart Bernard Kouchner in Louvre Museum. This exhibition embodies mutual cooperation between the two friendly countries—Saudi Arabia and France. The exhibition is illustrated with panoramic views of the desert and maps, taking us on a chronological tour, from the first hewn stones of the early Stone Age to the establishment of a unified Saudi Kingdom in 1932.

Much of the show is devoted to the antiquity but it also focuses on the Islamic period: the pilgrim trails follow old trading routes to the holy cities of Makkah and Medinah. The exhibition covers different historic periods starting from the Stone Age until the Saudi Renaissance, early Arabian kingdoms, Umayyad period, Abbasid period, Ottoman period, and Saudi Arabia's unification by late King Abdul Aziz.

In fact, this exhibition is a vivid example of cultural diplomacy and cultural exchanges that started between Saudi Arabia and France way back in 2004. The sides put a seal on this cultural partnership in 2005 when Prince Alwaleed bin Talal donated \$23 million to the Louvre's department of Islamic art. An exhibition at the national museum in Riyadh followed in 2006 featuring 150 masterpieces from the Louvre's Islamic collection.

One of the exhibition's highlight is a monumental door from the Kaaba, made of silver embossed with gold, which guarded the entrance to the sanctuary in the holy city of Makkah for three centuries. The exhibition falls into two parts: the pre-Islamic period and the Islamic one. The works reveal little-known aspects of a prosperous and flourishing pre-Islamic Arab world. This, in fact, gives another side of Saudi Arabia and those who visit the exhibition find out the story of the different cultures and civilizations that originated and inhabited in the Arabian peninsula.

The 'Roads to Arabia' is the largest exhibition of Saudi antiquities ever staged anywhere in the world. Above all, the exhibition is also explaining the important role the Kingdom is playing under the leadership of Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz and HRH Crown Prince Sultan bin Abdulaziz so far as major cultural initiatives are concerned. The exhibition's next stop is Barcelona in November this year before it travels to other European, American and Gulf cities. ☑

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4 Saudi Arabia at G20 An Economic Powerhouse on the World Stage

Saudi Arabia's global standing as an economic powerhouse was once again demonstrated at the recent summit of the G20 group of influential economies in Toronto.

10 Reaffirming Strategic Ties

President Obama met with King Abdullah of Saudi Arabia on his recent trip to the US. Saudi Arabia plays a key role in many issues of critical interest to the United States—including terrorism, Iran's nuclear ambitions, the Middle East peace process, and Afghanistan.



14 Beyond Oil and Security

After some tensions during the 1990s, the Saudi-US bilateral relationship suffered an almost fatal blow with 9/11 and its aftermath. Yet, this relationship survived, changed and diversified, and today the formula "oil for security" that was used to characterize the Saudi-US rapport is no longer appropriate. Many regional variables will play into the future definition of Saudi-US ties, among them the Israeli-Palestinian quagmire and Iran's nuclear ambitions.



24 Public Diplomacy For The 21st Century

Public Diplomacy (PD) has become one of the most talked about areas of international relations in the past decade. It has gained currency in both academic and political circles especially in light of the September 11th terrorist attacks on New York and Washington

30 Saudi Ambassador to Greece Saudi-Greek Relations Deep Rooted in History

Mr. Saleh Mohammed Al-Ghamdi, who is currently serving as Saudi ambassador to Greece and non-resident ambassador to Bulgaria, has exerted intensive efforts in boosting the links between Riyadh and Athens on the one hand and between the Kingdom and Bulgaria on the other.

34 Israel's Reckless Foreign Policy

Israel's raid on the Gaza Freedom Flotilla in early June prompted a worldwide gale of criticism. This was hardly surprising given the nature of the operation, a bold military attack on civilian ships in international waters which left nine civilians dead and dozens injured.

40 Turkey's Achilles Heel

Turkey should take great care to retain the international sympathy that has been accumulating since 2003 with its "step ahead" policy in solving Cyprus.

54



Roads to Arabia: A Walk through History



Saudi Arabia at G20 An Economic Powerhouse on the World Stage

Saudi Arabia's global standing as an economic powerhouse was once again demonstrated at the recent summit of the G20 group of influential economies in Toronto.

The Diplomat

Saudi Arabia, the fastest growing economy in the Middle East, is the only Arab country which enjoys membership to the G20. As a prominent and responsible member of the exclusive group, Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz, joined several other leaders representing their countries at the grouping's recent Toronto summit. King Abdullah, in fact, was reflecting Arab and Islamic world concerns at the summit, advocating peaceful solutions to vexing political problems

such as the Palestinian issue and the situation in Iraq. Economic issues, of course, took center stage, at a time when Saudi Arabia's success at steering clear of the financial crisis has come in for praise from global analysts. Early this year, Moody's raised Saudi Arabia's credit rating, citing "strong" government finances that have withstood volatile oil prices and the global recession. Finance Minister Ibrahim Al-Assaf, who was part of the Saudi delegation at the summit, also announced recently that Saudi Arabia's economy will

grow around 4 percent in 2010 after expanding 0.2 percent last year. The Saudi forecast came even as the world was still grappling with the fallout of the severe economic downturn. The G20 is seen as the most effective forum in global efforts to mitigate the effects of the economic crisis. With the key issue of the Toronto summit being the global recession, and with Europe reeling under its own debt crisis, Saudi Arabia's successful manoeuvring of the downturn and its leadership in the global petroleum sector rendered it a strong influencing



factor within the group. As Al-Asaf said, Saudi Arabia's membership to the G20 summit and its participation in discussions pertaining to the financial and economic issues came in recognition of its position as the single largest oil exporter in the world, in addition to being a country with the largest oil reserves and energy production. King Abdullah, in his address at the summit, was vivid in his reference to the Saudi economy as an example to be emulated. He credited wise monetary and financial policies and strict supervision for Saudi Arabia's ability to weather the global financial storm. He said that Saudi Arabia has enacted a \$400 billion stimulus program – the largest such program of any G-20 state when measured as a percentage of Gross Domestic Product. With regard to the oil market, King Abdullah stressed the fact that the wild fluctuation in oil prices witnessed in 2008 and 2009 caused damage to both producing and consuming countries. Therefore, he insisted, consuming countries should more effectively regulate financial and commodity markets, while Saudi Arabia will continue to maintain its production capacity in order to ensure market stability. King Abdullah also reiterated the importance of supporting developing countries, noting, "The Kingdom has done its utmost to help the poor countries and mitigate the

global crisis on these countries by increasing bilateral and multilateral development and humanitarian assistances and also supporting and enhancing the resources of the regional and multilateral development banks." The King welcomed the progress made on issues of reform at the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF) aimed at allowing a greater voice for less developed nations. Finally, the King stressed that continued world trade is a necessary requirement for the acceleration of global growth and urged other countries to avoid protectionism. "In line with Saudi Arabia's commitment to free trade, it continues its efforts to support trade liberalization initiatives at all levels. The Kingdom continues to provide funding for the purposes of trade through a number of programs and funds at national and regional levels." The King's call for continued cooperation on global financial reform, the liberalization of international trade, and increased economic aid for developing nations is significant in the light of the ongoing economic crisis and the fact that rich nations have rarely met their actual promised aid targets. Saudi Arabia's own track record of disbursing aid has been consistent, with the Kingdom being a major partner in



international development. The United Nations Development Programme has gone on record saying, "We look forward to expanding our partnership with Saudi Arabia as we jointly tackle global development challenges." The Toronto summit agreed on the next steps member countries should take to ensure a full return to growth with quality jobs, to reform and strengthen financial systems, and to create strong, sustainable and balanced global growth. But the summit's final declaration, among other things, cautions that serious challenges remain. "While growth is returning, the recovery is uneven and fragile, unemployment in many countries remains at unacceptable levels, and the social impact of the crisis is still widely felt. Strengthening the recovery is key. To sustain recovery, we need to follow through on delivering existing stimulus plans, while working

to create the conditions for robust private demand." Saudi Arabia adopted the \$400 billion stimulus plan, which King Abdullah spoke of at the summit, at the London G20 summit last year. The plan is geared toward the government and the monetary sectors for the next five years. Its chief goal is to support the country's economy which in turn benefits the global economy. The stimulus program was also aimed at increasing its oil production capacity. Saudi Arabia also unveiled this year the largest fiscal budget in its history, with the aim of increasing local demand and production. It increased allocation for infrastructure projects by 36 percent compared to last year. As the Kingdom now gears up for the next G20 summit to be held in Seoul in November, it remains an ideal economic model to be followed, not only by the Middle East countries, but the world at large. ☑



Saudi Arabia's Role Among G20

Its member countries represent 90 per cent of global gross national product, 80 per cent of world trade, and two-thirds of the world's population. But how important really is the Kingdom of Saudi Arabia to the G20?

Rob Pattinson

Energy and security. It is surely not crass to reduce Saudi Arabia's role among G20 to these key issues. Both lie at the centre of the economic group's activities.

Yes the G20 seeks to further the fiscal aims. Coordinating global financial stability, staving off economic crises, and nurturing growth, are the lynchpins of its work. But without the wider context of political stability within which to pursue these aims, there is little chance of engendering confidence investors need to put momentum behind the

global recovery. That is why at the G20 Summit in Toronto, last month, talks over Iran's nuclear program, sat closely alongside economic policy on the agenda.

As the biggest oil exporter in the world, Saudi is a crucial player in the energy stakes, and with Iran vying with North Korea on the international community's 'to do list', Saudi find itself thrust into a key strategic area. At a time when oil prices have the potential for huge impact on financial recovery, and major economies can ill-afford a

diplomatic show-down, is it safe to say Saudi Arabia has never been more important to the G20? The answer could well be yes.

What Saudi brings to the table?

Weaving among his fellow world leaders, Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz, of the Kingdom of Saudi Arabia, cut an unmistakable figure, at the Toronto summit. If a briefcase was accompanying the monarch, it's fair to say it was being carried a long way toward the back of his



considerable entourage. Inside the keep-safe, metaphorical, or not, was undoubtedly nestling some weighty influence.

As home to a fifth of known oil reserves in the world, and the only OPEC (Organization of Petroleum Exporting Countries) member of the G20, the Kingdom has always occupied a privileged position among its fuel-hungry peers, as a useful insider. This year's predicted record high in demand for oil, coupled with the timing of global financial recovery could reasonably turn that into an 'even more' privileged position.

The International Energy Agency (IEA) has already warned, this year, global economic recovery could be put at risk if oil prices remained above \$80 a barrel. The IEA - the energy division of the Organization for Economic Co-operation and Development (OECD) - warned oil markets were "overheated". David Fyfe, head of the IEA's oil industry and markets division said price subsidies that are beneficial for consumers outside the OECD, including China and India, and tight credit conditions, "could stall OECD economic recovery or render it more

oil-less than we currently envisage". Fife continued to say "Things might turn messy for producers if \$80 to \$100 [a barrel] is merely seen as the new \$60 to \$80 [a barrel]." With higher oil prices identified as an entirely undesirable situation, there has never been a better time for G20 to have Saudi on 'their team'. A suggestion from Saudi of increased oil production could be one way to address the concern, especially if it can exert leadership through OPEC.

But the benefits from Saudi would not seem to end there. The country has enjoyed greater stability than other members during the economic downturn. King Abdullah Bin Abdulaziz has been credited by the Arab press as "navigating his country to a safe port during the stormy financial crisis" by maintaining a firm hand at the tiller and refusing to cut domestic spending. It would seem this had the desired effect. Figures quoted from the Saudi Arabian Central Department show while GDP growth for the country fell from 4.23% in January 2009 (and a high of 7.6% in January 2004), it did not slip into negative growth, bottoming

out at just above zero.

That Saudi has remained relatively insulated from the recession presents an opportunity to the leaders of more downtrodden economies, analysts have argued. With a 5 per cent surplus (down from 28 per cent the year before) Saudi is among those identified as a possible "spender" into other the economies of other G20 member states. In an article written for the Britain's Daily Telegraph, Roger Bootle, managing director of Capital Economics and economic adviser to Deloitte, underlined the importance that troubled economies around the world must find people to spend into them. This, Mr Bootle emphasized, is particularly important if the home government is cutting public spending to reinstall confidence in traders and kick start the finance industries. "This is where the money is and it is where demand should expand," he wrote. "What the world needs is increased demand. Mr Cameron and the leaders of other over-borrowed Western countries need to press the leaders of the surplus countries to deliver it. If they don't, then the world

is heading for a catastrophe - however much we lop off public spending."

It is important not to forget that King Abdullah flew to Toronto, not just as the face of Saudi Arabia, but as the representative for the Arab world, providing a key link to the region. If only to help achieve the aims of transparency, legitimacy and inclusion the G20, sets out in its blueprint Saudi plays a crucial part in bridging the economic and cultural gap between the West and the Middle East. There is also a bank of feeling that as emerging economic powerhouses India, and particularly China, continued to increase their thirst for oil, Saudi offers common ground and an effective channel of policy communication for its more established business partners in the West.

There remains, however, a more strategic importance in Saudi's membership of the G20. From a strategic perspective Saudi is a crucial ally for Western powers in the Middle East, not least in the face of a resurgent Iran, feared to be pursuing policies of nuclear proliferation, and seeking to extend its influence within the region. As a G20 power, Saudi Arabia's influence over its neighbors is crucial to ensuring unified support within the region, and a focal point for Western backing. While Saudi may remain opposed to any action against the belligerent state, it is a key diplomatic player in dialogue with its Middle East neighbor. Similarly it is likely to have heavy involvement in any US-led peace negotiations, proposed by the Obama administration.

Dinner for two

For all the posing for photos, delegates' limousines, and patient discussions at June's summit, perhaps it was King Abdullah's next visit which told us most about Saudi's importance to the G20. The monarch flew to Washington, where he met with President Obama, the handshake between the two a physical embodiment of the



Saudi's backing of the dollar.

The idea of influence within the G20 is a strange one. There is no voting, nor motion-passing, by which to measure influence. As the group itself puts it: "Achieving consensus is the underlying principle of G-20 activity with regard to comments, recommendations and measures to be adopted....to this extent the influence a country can exert is shaped decisively by its commitment." As such it is difficult to differentiate influence within the group from more general stature on the international stage.

As the world's biggest economy (biggest military power, and biggest consumer) the US retains its position as a world leader. For many it again represents the successful model of how to lead the global economy, after rushing to the aid of its troubled domestic financial institutes, and embarked upon an ambitious program of fiscal reform. Saudi backs the dollar and the US wields strong influence over the G20.

But what of direct Saudi influence? The country has yet to chair the G20, a moment which would surely be viewed as the summit of its importance to discussions and influence over policy. But there remain barriers to this

happening.

Despite the numerous benefits of Saudi's membership of the G20, an image problem seems to linger over the Arab state. As Robert Lacey, author of 'Inside the Hidden Kingdom' suggests, for many it is "difficult to like" a state that produces oil at \$2 a barrel, then sells it for \$100.

Perhaps more pressing are criticisms of its human rights record. The reality, as acknowledged by Amnesty International, is claims of human rights violations have been made of "well over half the G-20 countries". Last year the rights group claimed 78% of all death penalty executions took place in member states. Brazil, China, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, USA, France and Canada, were all accused by Amnesty of torture and ill-treatment of prisoners. Of note was the exclusion of Saudi from claims of unlawful killings by law enforcement officials, accusations faced by Argentina, Brazil, France, India, Indonesia, Mexico, Russia, South Africa and Turkey.

The point here is to "clean up" Saudi is to "clean up" the majority of member states, a task, however noble, unlikely to reach the top of the G20

agenda while competing with economic recovery and security concerns. Human rights and 'image' could not be used as an argument to prevent Saudi chairing the group.

And what of the country's own view of its importance to the G20? According to Finance Minister Ibrahim Al-Assaf Saudi Arabia's participation at the Toronto summit reflected its strong position in the world. Quoting "wise" economic policies adopted by the Kingdom, Al-Assaf said the state had been able to deal efficiently with others in protecting "its interests and influence(ing) international resolutions."

According to Commerce and Industry Minister Abdullah Zainal Alireza Saudi Arabia retains the biggest plans for spending of any G20 nation – Arab News quotes the figure as \$400 billion until 2013. Saudi can also consider itself an investment friendly climate after The World Bank rated Saudi Arabia as the 13th most competitive country in the world in its annual Doing Business report.

What is clear is to dismiss the impact Saudi has is to fail to understand the dynamic of relations within the member states. Two super economic powers appear destined to occupy the future, the US and China. Both buy oil from Saudi.

As for now, that Saudi has made such moves towards developing a more liberal society and greater levels of financial mobility at all levels, is surely a nod to its West-leaning tendency, at least as far as business goes. It's commitment to root out Islamist extremism within its borders another sign that it sees a future in this relationship. As long as Saudi sees the West, and in particular the US, as a key trading and strategic partner, it will always reassure the balance of power within the G20 tilts towards Washington. The Kingdom's importance is growing, to what extent, we will have to wait until November to see, when the group meets for its next summit in Seoul, Korea. ☑

The Changing Role of G-20 in the New Global Economy

Dr. Raja M. Albqami

Assistant Professor at Institute of Diplomatic Studies

The financial crisis that spread worldwide in 2008 proved to be the most severe economic downturn since the Great Depression of 1929. Equally important, it proved to be a major turning point for the global economy. The impact of that crisis will be long-lasting and will be marked by a shift of power from west to east.

Unfortunately, the Western-dominated Group of 7 (G-7) could not resolve the crisis. The economic troubles of the past decade and structural change in the global economy had decreased their countries' influence on the global economy while the influence of developing countries had increased. G-7 leaders admitted the need to involve emerging economies in the dialogue, especially when the global crisis struck.

Established by the G-7 as a response to the 1997 Asian financial crisis, two groups emerged in 1999 to address international troubles and support global financial regulation. Financial Stability Forum (FSF), which brought together representatives from G-7 countries and international institutions concerned with international financial regulation. The Group of 20 (G-20), which comprised finance ministers and central bank governors from the G-7 and from twelve non-G-7 emerging market countries. Prior to the G-20 creation, similar groupings had been created by initiative of the G-7 to promote dialogue and analysis during 1998 and 1999.

As the economic crisis spread in 2008, the G-20 members further strengthened international cooperation by including heads of states, and thereby became the primary forum for discussion of global economy issues.

The evolution of the G-20 into a forum for addressing complex global issues will help promote balanced growth and sustainable development only if G-20 developing countries actively participate. Research is needed on the interplay between global and local issues, as well as the future role of developing countries.

Experts are needed to help global leaders understand local issues and support local leaders in seeing the broader picture. Without such studies, in developing countries, by government bodies, think tanks, and research institutions, the only beneficiaries could be advanced economies at the expense of developing countries.

The G-20 reflects a significant development in the global political economy. Whether that development produces benefits for both developed and developing economies will depend on whether member rely more on research-backed substance or on appearances at meetings. ☑



Reaffirming Strategic Ties

By Paula Mejia

President Obama met with King Abdullah of Saudi Arabia on his recent trip to the US. Saudi Arabia plays a key role in many issues of critical interest to the United States—including terrorism, Iran's nuclear ambitions, the Middle East peace process, and Afghanistan. In a Q and A with Christopher Boucek of the Carnegie Endowment, he examines the US-Saudi relationship and joint counterterrorism efforts, the internal climate within the Kingdom, and the role Saudi Arabia plays in the Middle East.

How strong are relations between the United States and Saudi Arabia?

Relations between the United States and Saudi Arabia are very strong and have been strong for more than fifty years. The two see eye-to-eye on most international issues and

mostly agree on regional issues as well as the larger ones in the international arena. However, on issues within Saudi Arabia, the two disagree at times.

There have been a number of high-level visits back and forth in recent months and over the past year, including a number of

very high-level American visitors to the Kingdom. The Obama administration is keen to develop Saudi Arabia as a greater actor to advance some of the issues the Obama administration would like to see addressed in the Arab and Muslim world.

There are several issues

that the United States is eager for Saudi Arabia to be more pro-active on and act in line with what the American administration would like to see. This includes energy policy, oil production, and stabilization in the energy markets. It also includes taking leadership on the peace process and in communicating with the Palestinian leadership, as well as other Arab states, particularly Syria. Moreover, the United States would like to see the Kingdom take a much more active role in Afghanistan to help persuade different Afghan factions to come to the table and to seek accommodation.

Five years after Abdullah ascended to the throne, what is the political situation in Saudi Arabia?

Saudi Arabia has a very well established, stable society and government. What we are seeing now is that King Abdullah is working to solidify and institutionalize this stability, which above all other things, is what Saudi officials aim for—stability.

The Saudi society has evolved considerably since Abdullah assumed the throne several years ago. In a number of areas, he has overseen initiatives by the central government to establish more control over the government—however, these should not be confused with reforms. This is about bureaucratizing and institutionalizing the state. These include establishing a defined process for succession, establishing the government's control over areas where they previously did not have much—education, justice, and in family and private matters.

The Saudi government has also sought to redefine its relationship with the

religious establishment and further establish its control over aspects where it previously did little. This can be seen on a number of issues, including gender mixing in public, having men and women in the same classroom, establishing education for girls, etc. Last fall's opening of King Abdullah University was the most public and well known of these efforts.

In Saudi Arabia, there is a common misperception that the government of the Kingdom does not do anything without the consent and approval of the religious establishment. In actuality, the government will do what it wants to do most times, and then get approval from the mullahs.

In a society where almost 80 percent of the population receives its employment from the state, the government is in a great position to influence events. In one way or the other, most people work for the state. If you are a cleric who works at a university, if you are a cleric who works in a mosque, or you serve on a commission, one way or the other, you receive your livelihood from the state in most cases. And the state uses this to shape—and co-opt—opinions and control the Sunni religious establishment.

How effectively has the government addressed radicalism in the country?

Saudi Arabia has taken great strides to combat radicalization and extremism in recent years, including a wide-ranging, soft counterterrorism approach aimed at undercutting the ideological and intellectual justifications for political violence, in addition to hard security measures to kill or capture wanted extremists.

Saudi Arabia has taken great strides to combat radicalization and extremism in recent years, including a wide-ranging, soft counterterrorism approach aimed at undercutting the ideological and intellectual justifications for political violence, in addition to hard security measures to kill or capture wanted extremists.

This is a shift from how it was inside Saudi Arabia at the beginning of 2003. Now the government is aware of the problem and is taking initiatives to combat extremism and violence within society. These include programs in schools, the education ministry, the justice ministry, mosques, and society at large, and includes a wide ranging public communications program to explain the dangers of violence, militancy, and extremism.

There are still issues that need to be addressed, including issues with the curriculum and other aspects. But it is significant how far Saudi Arabia has come.

While the Saudi government has taken great efforts to combat violence and extremism in the Kingdom, as soon as the government lifts its efforts, whether it's the soft counterterrorism initiatives or the military or security efforts, there is a great likelihood that violence or militancy will increase. Over the years, there have been regular reports of arrests of individuals who are planning operations and attempting to engage in violence inside the Kingdom. Saudi officials often say that al-Qaeda and extremism have not been defeated inside the Kingdom, but that they are under control, and this control must be maintained to ensure stability and security inside Saudi Arabia.



Christopher Boucek

How successful is U.S.-Saudi cooperation on terrorism?

The United States and Saudi Arabia enjoy a tight relationship when it comes to fighting terrorism and extremism. The two sides cooperate closely—American officials often remark that Saudi Arabia is one of its greatest partners when it comes to fighting terrorism.

One of the major issues for American officials, however, is the issue of terror financing—the money that is collected for charitable purposes that leaves the Kingdom and goes to militant causes in the region and around the world. This is a difficult issue because many in Saudi Arabia believe in charitable giving. It's very difficult to track where this money goes but American officials are keen to press Saudi Arabia for greater control over this money.

While September 11 brought home the issue of



Islamist terrorism to the United States, it was not until several years later, in 2003, when this happened in Saudi Arabia. When violence occurred inside the Kingdom that was directed against Saudi nationals and Saudi interests, the Saudi officials began to make greater efforts toward combating terrorism, including terror finance. The United States and Saudi Arabia both recognize that terror finance remains an issue. However, it's a difficult issue in Saudi Arabia for a number of reasons, including the fact that

There are two key security issues in the Gulf that are of concern to Saudi Arabia. The first is the role of Iran, both in the future of the Iranian nuclear program and Iranian ambitions in the region. The second is the future of the Gulf security architecture after the United States leaves Iraq.

charitable giving within the Kingdom is so important. **Is Saudi society evolving?** From the outside, Saudi Arabia can seem to be an incredibly static place where there's not much change. However, Saudi society is incredibly dynamic. There are an awful lot of changes going on inside the country as they work through a number of issues related

to education, the role of women, and the role of religion and society, among others. A lot of this has to do with the fact that this change began in Saudi Arabia only within the last 80 years. So within this compressed period of time, the Kingdom is working through issues that in many other societies have taken

Saudi Arabia sees Yemen as one of its greatest challenges and is keen to avoid what has been termed an "Afghanistan" on its southern border.

hundreds of years to work out. As a result you have, within living memory, incredible change—from poverty and isolation to incredible petro-wealth and access to pretty much anything. As Saudi society works through all of those issues, there is a lot of pressure on developments in the country. So access to education for girls and women and the role of religion and society are issues that are being worked out every day. It's only when you're inside Saudi Arabia that you are really exposed to these. Outside, it looks like they never change.

One of King Abdullah's major efforts has been a program to send Saudis abroad for education. There are currently over 20,000 Saudis in the United States, studying in colleges and universities. This is not only to get an education and come back to the Kingdom, but it's also a program to expose Saudis to Western culture, to American culture, to English language, etc. One of the remarkable things about this program is that Saudis don't just come by themselves, especially female students. Female students will often bring other members of their family, as required by traditional Saudi custom. What this does is not only bring the two countries closer together, but also serves to develop the Kingdom and broaden the horizons of Saudis who partake in this program. Currently there are more Saudis studying in this country than there were before September 11.

How powerful is Saudi

Arabia in the Middle East?

Saudi Arabia is very influential in the region and has the potential to be even more so. It has the greatest petroleum reserves, is one of the largest petroleum producers on a day-to-day average, and is home to two Holy places. Saudi Arabia has an awful lot of influence, leverage, and appeal that it can use throughout the region on a number of issues. Typically, Saudi Arabia and Saudi officials prefer for this to be under the radar and not in plain sight whereas the United States oftentimes would like Saudi Arabia to be more proactive in taking measures that match the U.S. international agenda.

Saudi Arabia has a central role to play in a number of international issues, including stabilizing the international energy market and preventing price spikes, as well as international issues relating to the Middle East peace process, the rehabilitation of Syria, developments in Iraq, the future of Iran, and events in Afghanistan and Pakistan. So throughout the Arab world, but in the broader Muslim world, Saudi Arabia has a great role to play. Internationally, when it comes to economics, as the world's largest oil producer, Saudi Arabia has considerable influence as well.

How much influence does Saudi Arabia have in the peace process?

Saudi Arabia has the potential to be influential on the Middle East peace process. As authors and instigators of the Arab

peace plan, in which all Arab states would recognize Israel in exchange for certain concessions, Saudi Arabia has a lot of influence with the Palestinians. The Saudis have also worked to encourage Palestinian reconciliation and is a great funder of the Palestinian government.

In all likelihood, however, the United States and others overestimate Saudi Arabia's ability to influence events on the ground, and whether the Palestinians would actually listen to what the Saudis say. The Saudis can only offer so much, it is up to the Palestinians to follow through on a number of issues. The Saudis have often said that this is between the Israelis and the Palestinians and that the Saudis are there to support the Palestinians as they go through this process.

What are the security challenges in the Gulf and what role does Saudi Arabia play?

There are two key security issues in the Gulf that are of concern to Saudi Arabia. The first is the role of Iran, both in the future of the Iranian nuclear program and Iranian ambitions in the region. The second is the future of the Gulf security architecture after the United States leaves Iraq. Who will fill that vacuum? There is a concern within Saudi Arabia that the Americans may shy away from being as assertive as they have been in the past given their experience in Iraq.

With regard to Iran, there is a great concern within Saudi Arabia about Iran's nuclear ambitions and intentions. While the Saudis are eager to make the point that military solutions are not viable in the region, they are at the same time eager to express to the Americans

that Iran cannot develop a nuclear weapon, that it is not in the interest of security and peace in the region.

Despite the unpopularity of American military operations in Iraq, Saudi Arabia does want to see the United States either leave Iraq prematurely or leave the region. Current Gulf security architecture depends on an engaged United States. So there is a concern that the United States may not be as involved in the future as they have been in the past.

How important is Saudi Arabia in stabilizing Yemen?

Saudi Arabia sees Yemen as one of its greatest challenges and is keen to avoid what has been termed an "Afghanistan" on its southern border. Many Saudis look at Yemen as the source of an awful lot of their problems—security, terrorism, drugs, extremism, undocumented workers, etc.

Late last year and early this year, Saudi Arabia was involved with Yemen in a war on its southern border. It was the first time in decades it had engaged in unilateral military operations. Al-Qaeda in the Arabian Peninsula, the al-Qaeda affiliate based in Yemen, had tried to assassinate Prince Muhammad bin Nayef, the Saudi counterterrorism chief, as well as making threats and conducting operations inside the Kingdom. So Yemen, in the context of terrorism and security, will be a key issue for both sides.

Looking forward, it will be important for the United States to involve Saudi Arabia in any policy or strategy in Yemen. Saudi Arabia will need to be central to any U.S. or larger international policy. ☑



Beyond Oil and Security

By Caryle Murphy*

After some tensions during the 1990s, the Saudi-US bilateral relationship suffered an almost fatal blow with 9/11 and its aftermath. Yet, this relationship survived, changed and diversified, and today the formula “oil for security” that was used to characterize the Saudi-US rapport is no longer appropriate. Many regional variables will play into the future definition of Saudi-US ties, among them the Israeli-Palestinian quagmire and Iran’s nuclear ambitions.

Prince Turki Al Faisal holds no official position in the Saudi government. But as ex-intelligence chief, former ambassador to Washington and London, and the foreign minister’s brother, he commands influence. When he speaks, people listen. Recently, Turki let go a cannon blast at US policies in the region before an audience of diplomats and high-powered Saudis. An “inept” US administration is messing up in Afghanistan, he said. US Secretary of State Hillary Clinton’s “confusing signals” on nuclear non-proliferation in the Middle East are “unacceptable.” Washington should recognize a unilaterally-declared Palestinian state if current talks don’t produce a breakthrough by the fall. And by the way, the prince scolded, the US has lost its moral authority because of “negligence, ignorance and arrogance.”

The all-encompassing, public litany of complaints was not unusual for Turki, who has never been shy about criticizing US foreign policies. But some might wonder: was he talking about a close ally that Riyadh has had a so-called “special relationship” with for years? Or was he talking about a country that Saudi Arabia views as a problem to be managed? The answer seems to be both. And Turki’s remarks attest to just how much US-Saudi bilateral relations have changed in the last two decades due to shifts in the stature of both countries amid a changing global environment.

Washington’s financial woes and soaring debt have cratered its economic influence around the world. And its often ill-advised reactions to the 2001 terrorist attacks in New York and Washington—the occupation

of Iraq, the Abu Ghraib prison scandal, the detention camp at Guantanamo, the use of torture, and the mishandling of Afghanistan—all have cost the United States dearly in diplomatic prestige.

Meanwhile, Saudi Arabia’s position has been enhanced with its entry into the World Trade Organization and G-20 club of economically significant countries. The world’s largest petroleum producer also rests on a solid economic base, thanks to several years of high oil prices and conservative fiscal policies. And despite its own societal challenges, Riyadh has successfully suppressed a violent domestic insurgency, and designed a rehabilitation program for jailed extremists that has drawn international praise.

The result is a more mature, independent Saudi Arabia that is no longer a quiet, compliant junior partner of Washington, making its points only in private and walking lock-step with the United States on controversial issues. President Barack Obama discovered this first-hand during his initial encounter with King Abdullah bin Abdul Aziz a year ago, when the Saudi monarch rebuffed Obama’s request for a Saudi gesture of goodwill to Israel even before Israeli concessions to the Palestinians. The decades-old formula of oil-for-security no longer adequately describes US-Saudi bilateral ties. Of course, these still remain important. But as the Saudi share of US oil imports has shrunk, and as Riyadh makes a concerted effort to both diversify its bilateral relationships and boost the independence of its defense forces, these foundations have weakened.

Once giant anchors at both ends of a bridge, oil and security now are more like cornerstones in a multi-layered edifice still under

construction. The two nations are bound by a set of shared concerns and goals. But their partnership is often plagued by disagreements on how to reach those goals. Shall we put a parapet here? Or would a dormer window be just as good?

David Ottaway, author of *The King’s Messenger: Prince Bandar bin Sultan and America’s Tangled Relationship with Saudi Arabia*, has observed that the two countries “speak of a ‘strategic dialogue,’ a diplomatic term of art that obscures whether the two governments think of themselves as friends or foes.” Perhaps the “special relationship” is now more “normal” than “special.” It is worth recalling how this came about.

From the Gulf War to 9/11: a not so special relationship

In the early 1990s, the Saudis were recovering from two big shocks. One was the betrayal of Saddam Hussein. Iraq’s invasion of Kuwait and subsequent menacing of the Saudi kingdom was regarded by Riyadh as an unfitting response to years of Saudi financial support to Iraq during its eight-year war with Iran in the 1980s. The second shock was having to rely on foreigners for military assistance. The Americans came to help do the job and demanded to be reimbursed for their costs. In a difficult post-war financial environment, the Saudis struggled to pay the \$16 billion they owed the Americans, much less their total war bill of about \$60 billion.

Meanwhile, the common cause that had bound Riyadh and Washington for decades, drawing them into jihad in Afghanistan, had evaporated: The Soviet Union’s implosion made the communist threat a memory. The bilateral warmth of the Desert Storm years



under President George H.W. Bush was followed by drift during two-term President Bill Clinton. "By the end of the 1990s, the relationship was sort of on auto-pilot. There wasn't that much going on," said Tom Lippman, author of *Inside the Mirage: America's Fragile Partnership with Saudi Arabia*. But signs of trouble were brewing.

In the second half of the 1990s, Crown Prince Abdullah, who assumed the country's foreign files due to King Fahd's long illness, was disturbed by US inaction on the Saudis' top regional priority: the Israeli-Palestinian conflict. Clinton's failure to address this issue until too late in his presidency, followed by President George W. Bush's pro-Israeli stance, brought

relations to a low point. But the lowest was still to come.

After 9/11, the Saudis were equally shocked to find Americans turning against them. But it was not until they had their own 9/11, when terrorist bombings in Riyadh and Dammam killed scores of civilians in 2003 and 2004, that the Saudi society began a serious debate about domestic causes of radicalization. This was also accompanied by accelerated Saudi cooperation with US counter-terrorism efforts and the bilateral relationship began to regain its balance. "We also became victimized by terrorism [and] somehow this realization sets in that there was a common enemy of the two countries," said Al Mani. But another breach was forming.

From the kingdom's perspective, Washington's misguided and mangled occupation of Iraq, which Riyadh had strenuously opposed, and which King Abdullah once described as "illegal," had disastrous consequences. Namely, a distracted United States failed to finish its job in Afghanistan, allowed the Israeli-Palestinian conflict to fester, gave Iran a

foothold in Iraq, and generated an historic shift in Sunni-Shiite political competition that has fueled sectarian conflict. The Bush administration's post-invasion calls for democratic change in the Middle East increased Saudi discomfort.

Awadh al Badi, a scholar at the King Faisal Center for Research and Islamic Studies, recalled that the US occupation of Iraq undercut Saudi perceptions of the United States as "an ideal and principled country." For many, it was no longer "necessarily [true] that all that comes from the United States is good ... That everything the United States wants from you is with a warm and good heart."

Recovering from 9/11 and its aftermath

Today, the US-Saudi relationship is recovering from its post-9/11 crash. One indication is the shorter lines outside the US Embassy in Riyadh because Washington has improved its visa delivery system. The long waits that Saudis used to have are mostly over, and US ambassador James B. Smith predicts that at current rates, a record number of Saudis will get US visas

this year. Students are setting another record. Thanks to King Abdullah's scholarship program, about 25,000 Saudis are pursuing degrees in the United States. This is an all-time high, and well above the 3,000 during the years right after 9/11.

There has also been progress on counter-terrorism cooperation. A minority of the Saudi population still expresses support for extremist ideas, and it took the kingdom's most senior religious body until May of this year to declare terror financing a violation of Islamic law. Nevertheless, intelligence officials on both sides now routinely share information. In addition, the Saudi government has put controls in place to stop the unfettered flow of financial support to extremist groups from Saudi individuals and charities.

On a recent visit here, Assistant Secretary of State for Near Eastern Affairs Jeffrey Feltman told local reporters that Saudi Arabia has "worked tirelessly to fight terrorism and extremism on the international level" and has "very effective programs in this regard." "There's no doubt the

atmospherics are better under Obama than they were under Bush," observed Lippman.

Despite the improvements, however, the bilateral relationship is decidedly different than in the past. For one, the United States now consistently buys more oil from Canada, Mexico and Venezuela than from Saudi Arabia, and in 2009, imports from the kingdom were about 989,000 barrels a day as opposed to 1.5 million barrels a day in 2008. This was due in large part to the economic downturn, but also to an important shift in Saudi sales: increasingly, it sees China and India as its growth markets.

The second pillar of the former US-Saudi relationship has also changed. The US military runs training programs for the Saudi National Guard, and the Ministry of Interior's new 35,000-member force to protect oil installations. But their overall presence in the kingdom is greatly reduced and much less high-profile than in the past, partly to avoid appearances that the kingdom is dependent for security on the United States. It was noteworthy that there appeared to be little or no overt US assistance to Saudi defense forces during last

year's campaign to oust Yemeni rebels from Saudi territory. In addition, there are no announced major US military sales in the works. The Saudis are buying their newest fighter jets from the Europeans. There have been persistent reports of negotiations with the Russians to purchase tanks, helicopters and missile defense systems. And a multimillion dollar security fence on the Iraqi border is being built by a European firm.

Diversification is also the watchword in diplomatic and trade ties. King Abdullah "has always been concerned about putting all the eggs in the American basket," said Rachel Bronson, author of *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia*, and a vice president at the Chicago Council on Global Affairs. "He found that very unhealthy and I think he was probably right about that." As a result, Saudi Arabia is nurturing bilateral ties with such countries as Turkey, India, Russia and China. This has led to a more competitive business environment within the kingdom in which the United States has lost market share. Back in 2000, US exports to the kingdom made up 19.7 percent of total Saudi imports. By 2007, they were

down to 13.5 percent.

Despite this slump, Saudi and American business communities remain bullish on each other judging from the recent, first-ever US-Saudi Business Opportunities Forum in Chicago, which drew more attendees than anticipated. And trade is only a part of the economic equation between the two countries. The kingdom, a long-time moderate voice within OPEC, has put a large share of its revenue surplus into US Treasury bonds. And it has shored up the US dollar in these difficult economic times by keeping the Saudi riyal pegged to the US currency. As a result, the two countries more than ever have a common interest in seeing the US economy regain its footing.

A brighter future based on shared interests?

Looking ahead, Professor Al Mani sees Saudi-US bilateral ties a decade from now resting on a much broader base. "The relationship of the past was based mainly on oil," he said. "I think the relationship in the future will have to be based on knowledge, on investments, on trade, on human interaction." His vision, however, raises the question of whether the

two peoples want to have as close ties with each other as their governments do. It is a question that policy-makers need to explore.

Meanwhile, their major task will be to find common ground for cooperation in order to resolve some of the huge problems of the region. These include the Israeli-Palestinian conflict, creating stable regimes in Afghanistan, Pakistan and Iraq, as well as dealing with Iran's pursuit of a nuclear-weapons capability. On all these matters, Washington and Riyadh have similar, though not exactly the same views. The disagreements that ensue will require adroit management by both sides. For example, the Saudis would be happy to see tough economic sanctions on Iran but don't believe that will stop Tehran from obtaining a nuclear weapon. That event is the Saudi top concern, for it would not only boost Tehran's hegemonic ambitions in the Gulf, but also force Riyadh to make tough choices: do we get our own matching bomb or not?

Likewise, a military strike by the US or Israel on Iran would surely provoke Iranian retaliation on the kingdom and a likely war in Gulf. This would frustrate attempts by Saudi Arabia and other Gulf countries to reduce their dependence on the US security umbrella. That also would frustrate the GCC countries' attempts to reduce its dependence on the US security umbrella. Because of these dire possibilities, Washington and Riyadh should give priority to "forging a common policy on Iran," said Lippman. "On the day that the Iranians announce they've tested [a weapon] then who does what? Who is responsible for what after that? Finding an answer to that question is the biggest challenge." ☑

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Shattered Expectations

By Fawaz A. Gerges*

One year after Obama's speech in Cairo, a global survey shows a steep decline in US approval ratings in Muslim countries. An increasing number of Arabs and Muslims say that the young president talks the talk, but does not walk the walk, and that his policies are an extension of his neoconservative predecessor—a sweetened poison.

A new global survey by the Pew Research Center affiliated with Harvard University shows that President Barack Obama continues to be popular and to improve America's standing in much of the world. The notable exception is Muslim countries—where he is less favorably viewed than he was a year ago.

For example, in Egypt, the setting of the president's much-heralded address, only 17 percent said they had a favorable view of the US, the lowest rating in five years, a "pre-Obama rating." Last year, 27 percent of Egyptians polled said they had a favorable view. In Jordan, US approval rating has fallen to 20 percent.

The most surprising finding

was in Turkey where support for Obama fell by a third, from 33 to 23 percent, and many of those polled in Turkey—a well-standing NATO member—said they were disappointed with current US foreign policy.

A majority of Muslims say that the US represents a military threat to them, especially in Lebanon, Pakistan, Egypt, Indonesia and Turkey. This is a very alarming development, given Obama's determined efforts to improved America's damaged relations with Muslim populations since his inauguration.

A year after his historic speech to the Muslim world from Cairo Obama's favorability ratings are as low as his predecessor's, George W. Bush, a surprisingly hard

blow. "The lack of support in the Muslim world is coincident with the wars in Iraq and Afghanistan," said Andrew Kohut, president of Washington's Pew Research Center, which conducts the annual survey. There's also "disappointment" among Muslims about the US under Obama, added Kohut. Many have a perception, for example, that the US still "does not deal fairly" in the Israeli-Palestinian conflict.

Indeed, Arabs and Muslims are deeply disappointed and uniformly cite a gap of credibility between Obama's rosy promises and his actions. Almost a year after Obama's address to the Muslim world, the reality of his Middle East policy is in sharp contrast to

the promising rhetoric and high expectations he raised. Obama's address, coupled with a concerted outreach strategy, made a deep impression among Arabs and Muslims. Many hoped that the young African-American president would seriously confront the challenges facing the region and establish a new relationship with the world of Islam.

Obama raised expectations that concrete action would follow. Even oppositional forces, such as Hezbollah, Hamas and the Muslim Brotherhood, conceded that what Obama said represented a breath of fresh air in US foreign policy. But across the political spectrum, all stressed they would assess his policies and actions, not only his words.

A year later, as the new global survey by the Pew Research Center shows, there is an increasing belief among Arabs and Muslims that Obama has failed to live up to his sweet words. The terminology of the "War on Terror" is no longer in use, but Guantanamo Bay is still open and President Obama has escalated the war in Afghanistan, Pakistan, Somalia, Yemen and elsewhere. His Arab-Israeli peace drive has reached a deadlock and Obama lost the first round against Israeli Prime Minister Benjamin Netanyahu. His promise to free the Palestinians from Israeli military occupation and to help bring about an independent Palestinian state will unlikely materialize in his first term in the White House.

Former Secretary of State Madeleine Albright, who co-chairs the Global Attitudes Project, acknowledged the gap between Obama's rosy rhetoric and the stark reality of US foreign policies in the region. "Cairo was a very large departure, a speech by an American president in a Muslim country ... and there was a lot of hope that

there would be a lot more intervention" by the US on issues of interest to Muslim populations, such as the Middle East peace process, Albright said.

"There is recognition of this [sense of unfulfilled expectation] in the administration," Albright stressed. Initiatives such as Obama's recent "entrepreneurship summit" with Muslim business representatives and organizations in Washington DC, suggest "they are trying to find ways that there can be more interaction," she added.

An increasing number of Arabs and Muslims say that the young president talks the talk, but does not walk the walk, and that his policies are an extension of his neoconservative predecessor—a sweetened poison. For them, Obama's rhetoric rings hollow, empty talk.

Public opinion polls and surveys like the Pew study do not fully reflect the depth and intensity of the disillusionment with Obama. An entrenched view has taken hold among Muslims that the US is not genuine about engagement and pays lip service to their hopes, fears and aspirations.

Obama likely misjudged the complexity of the region and the exuberant political costs associated with a transformational strategy. His promises of genuine engagement and building a new relationship with Islam's 1.3 billion people are no longer taken as seriously—a fact that undermines the credibility and efficacy of his foreign policy in the Greater Middle East, including the wars against Al-Qaeda, the Taliban in Afghanistan and their Pakistani cohorts and counterinsurgency in general.

Obama has implicitly conceded that his Cairo speech rhetorically overreached. In an interview with *Time* magazine, Obama surprised his interviewer when pressed on the Israeli-Palestinian issue, "This is just really hard... and if we had anticipated some of these political problems on both sides earlier, we might not have raised expectations

as high."

Although it is not too late for Obama to close the gap between rhetoric and action, sadly for now, he has not taken bold steps to achieve a breakthrough in America's relations with the Muslim arena. His foreign policy is more status quo and damage control than transformational. Like their American counterparts, Muslims desperately long for real change that they can believe in.

If Obama really wishes to repair the damage wrought by his predecessor and to build a new relationship based on mutual interests and respect, he must have the will and vision to chart a new course of action and invest some of his precious political capital in resolving festering regional conflicts. First and foremost ought to be the establishment of a viable, independent Palestinian state, and making structural investment in institution building and civil society.

Given the gravity of domestic challenges facing the US, the worst environmental disaster in history and a declining economy, many Americans wonder if it matters what the world thinks of their country.

"It matters because no matter how strong we are, the US cannot do everything by itself," said the former secretary of state, Albright. America's biggest challenges—including the economy, terrorism and energy—require multinational and cross-border solutions, she added: "All these issues .. affect our day-to-day life, [and] if the US is doing well and is popular, then the US can do something."

For example, according to the survey, support among Muslim populations for terrorist actions like suicide bombings and for Osama bin Laden and Al-Qaeda has declined considerably. But what complicates US efforts to combat terrorism is suspicion among Muslim populations of American leaders' rationale and political agenda.

On balance, Muslims do not buy the US narrative about either the gravity of the terrorist threat or the definition of terrorism. For

many Muslims, America's lumping together of legitimate "resistance" groups, such as Palestinian Hamas and Lebanon's Hezbollah, with terrorist Al-Qaeda is unacceptable and politically motivated.

Perhaps Muslims must ask themselves some hard questions: What influence can Muslim states and leaders exercise in Washington, and what they are willing and able to do to support the desired transformation of relations? Will they be willing to employ their rich assets and present a genuine unified position? If history is a guide, the answer is a resounding no. If they really want to see meaningful change, then Muslims must lend a helping hand to steer the US foreign policy ship in the right direction.

For after all, Obama does not possess a magical wand and does not bare all the blame for the lack of political progress in the region. Unfortunately, Arabs and Muslim placed high and unreasonable expectations on a new president without considering the complexity of the US foreign policy decision-making process nor the reality of American domestic politics. The imperial presidency is powerful but presidents' hands are often constrained by Congress, the foreign policy establishment, domestic politics and the media and public opinion and advocacy groups. Obama's domestic and foreign policy agenda is crowded and, on his own, he cannot deliver an Arab-Israeli peace settlement.

Instead of putting their eggs in the US basket, Arabs and Muslims must be masters of their own destiny; they must realize that Obama's ability to structurally change US foreign policy is limited, and that he should not held accountable for all the festering crises in the region. ☑

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The End of the “War on Terror?”

By Manuel Almeida

Among the several previews to the recently released US National Security Strategy, Brennan once more highlighted that the new document marks the end of the “war on terror.” Dropping the expression that proved so damaging to the US image and interests is certainly a welcome development, but more needs to be done to permanently bury a view of the world that only breeds more extremism.

Last May, at the renowned US military academy of West Point, President Barack Obama introduced the new US national security doctrine, formally expressed in the National Security Strategy 2010 released by the White House later that month.

As is already tradition among foreign policy analysts, journalists and think tankers, a whole range of analysis was published about the new strategy. A particular point of general interest is usually to identify what are the elements of change, and also the elements of continuity, in relation to the previous national security strategy.

Whether or not the recently released document represents such a break from the Bush administration’s 2002 and especially the 2006 National Security Strategies remains an issue of debate. In his speech, Obama tried to point out how different this strategy is when compared with his predecessor’s. Clearly, there are some aspects to it that do mark a shift, especially regarding the emphasis on multilateralism as opposed to unilateralism, diplomacy over the use of military force, and in the

explicit recognition of the limits of American might.

In addition to Obama, US Secretary of State Hillary Clinton, US National Security Advisor James Jones, and John Brennan, Obama’s top counter-terrorism adviser, also previewed the new strategy. Brennan in particular highlighted that the US is involved in a conflict with Al-Qaeda, and not in a “war on terror.” In the 2006 National Security Strategy, expressions like “the war against terror,” “the war against terrorists,” “the terrorist enemy,” and so forth could be found all across the document.

This expression “war on terror,” which reflects a particular view of the world and how to deal with it, proved very damaging for the US

image and interests across the wider Middle East.

Brennan advocated the abandonment of this expression as early as 2009 in his first speech after joining the Obama administration. At the time, Brennan argued that the new approach would focus on the “root causes of terrorism,” namely economic and social causes that breed extremism. This view is in sharp contrast with the Bush administration’s idea that terrorism was caused by tyrannical regimes in the Middle East.

It remains to be seen if the dropping of the expression “war on terror” corresponds to actions by the Obama administration that really establish a change of course in this regard. There is an

This strategy, responsible for the killing of too many civilians, is contradictory to numerous ideas put forward in the new National Security Strategy, namely “the strengthening of international norms on behalf of human rights,” or the “efforts to live our own values, and uphold the principles of democracy in our own society, underpin our support for the aspirations of the oppressed abroad.



The question remains if the Obama administration is aware that the wrong response to extremism only breeds more extremism.

effort in the new document to stress clearly that the new administration is not at war with Islam—“...this is not a global war against a tactic—terrorism or a religion—Islam. We are at war with a specific network, Al-Qaeda, and its terrorist affiliates who support efforts to attack the United States, our allies, and partners.”

Although the expression “war on terror” has been dropped, there is still some doubt about if the idea behind the expression is still present in the new strategy—“For nearly a decade, our nation has been at war with a far-reaching network of violence and hatred.” Indeed, the question remains if the Obama administration is aware that the wrong response to extremism only breeds more extremism.

In order to end “The War on Terror,” the Obama administration has to do more than remove a word from a document. One of the flags of the Obama presidential campaign was the closure of Guantanamo, the darkest symbol of a “whatever it takes” approach of Bush’s “war on terror.” This proved to be a much harder task than initially thought, and the deadline to close it in January this year was not met. The question of what do to with the inmates that remain there is only one of the puzzles the Obama administration needs to solve. Sending the many Yemeni nationals still in Guantanamo back to Yemen is certainly not an option. Although it was an invention of the Bush administration to transform this prison into a torture camp

where “terror” was fought with “terror,” the inability to keep the pledge of closing the prison has backfired on the Obama administration.

There is another development which is at least as damaging for the US’s long term interests as their inability to close Guantanamo, and that is the huge increase of drone strikes in Pakistan since the Obama administration took office. As a past article in *The Majalla* has argued, while “counter-terrorism experts find this program a real asset, some counterinsurgency specialists have been firm in pointing out that it sends the wrong message to the Pakistani people.” Various warnings have been made about the potential boomerang effect of this strategy, including by David Kilcullen and Andrew Exum, of the Center for a New American Strategy, and by Professor Fawaz Gerges from the London School of Economics, in a recent article in *Newsweek*.

This strategy, responsible for the killing of too many civilians, is contradictory to numerous ideas put forward in the new National Security Strategy, namely “the strengthening of international norms on behalf of human rights,” or the “efforts to live our own values, and uphold the principles of democracy in our own society, underpin our support for the aspirations of the oppressed abroad, who know they can turn to America for leadership based on justice and hope.” It is particularly hard to see how the bombing of villages in tribal areas of Pakistan by unpiloted US drones can contribute to the goal contained in the new strategy of “build[ing] positive partnerships with Muslim communities around the world.”

Until at least these two issues — the closure of Guantanamo and the restraint in drone strikes—are addressed, the “war on terror” isn’t really over, it just changed its face. ☑



Fighting Piracy The Gulf of Aden and the Quest for Great Power Status

By Ramon Pacheco Pardo*

Somali piracy has opened the doors to great power competition off the Horn of Africa. Military clashes between the navies present in the waters in and around the Gulf of Aden are almost unthinkable. In fact, coordination among them has been remarkably smooth. Operating independently, they are obtaining valuable war-like experience far away from their waters. Maritime power is one of the essential elements for any country harboring great power ambitions. The Gulf of Aden is the first scenario where a new geopolitical game is being played out.

Somali piracy has therefore produced a welcomed effect in the form of cooperation between the navies of powers that never before had cooperated. However, cooperation between these countries to defend one of the busiest transport routes in the world is only one reason why all of them were quick to heed the call from the UN. Equally important has been the interplay of interests that make

the Gulf of Aden a playing field for competing great powers seeking to test their influence. For the US, Somali piracy serves to reinforce its commitment to maintain an active presence in the region, as well as to underline its position as the hegemonic maritime power. For China and the EU, their respective missions to fight piracy represent a new development in their military strategy. For Russia, it signifies a return

to the heyday of the Soviet days when only the US had a stronger navy. The waters around the Gulf of Aden have therefore become one of the first centers in which the battle for influence between existing, rising and willing great powers is being played. Beyond economic considerations, the US, China, the EU and Russia also see their presence in Pirate Alley in terms of power and prestige.

The Fifth Fleet of the US

has been sailing the waters from the Persian Gulf to the East African coast since 1995. No other navy can match the overwhelming power of the most technologically advanced and materially endowed fleet in the region. Hence, the Bahrain-based Fifth Fleet has been heading the multinational Combined Task Force (CTF) 151 anti-piracy force since January 2009. A total of 24 partners, including several Arab and Southeast Asian countries, are working together and making use of the Fifth Fleet's headquarters in Manama.

CTF-151 could be perceived as an exercise mixing soft and hard power from the US. On the one hand, Washington allows third parties to make use of their resources in the region. On the other hand, it is a demonstration of American naval superiority.

No other country can compete with its well-equipped vessels, surveillance know-how or coordination experience. The presence of the Chinese fleet in the Gulf of Aden is a historic event. It marks the first time since the founding of the People's Republic of China in 1949 that the country has dispatched its navy in a combat mission overseas. Moreover, in January 2010 China gained approval to co-head Shared Awareness and Deconfliction, or SHADE, the mechanism to provide coordination to anti-piracy efforts. Chinese warships are also in charge of permanently patrolling one of the most dangerous sectors in the Gulf of Aden. Therefore, in less than two years the Chinese navy has gone from having no recent experience of deployment overseas to sharing the responsibility for coordinating what essentially is a war mission. As expected, some Western policy-makers and analysts have expressed uneasiness at the new role being played by the Chinese army. For Beijing, its mission off the Horn of Africa is an



expression of its increasing power.

As deputy chief of staff of the navy force of the People's Liberation Army, Xiao Xinnian, puts it, the mission "shows the positive role of the PLA in maintaining world stability and peace as well as the PLA navy's confidence and capability of handling multiple security threats and fulfilling diverse military tasks."

Yet, it is the EU's new-found readiness to engage in a war mission that could prove of most interest. It is not surprising that the US has sought to display its military power, nor that China harbors the ambition to transform its economic rise into a greater say in international affairs. However, the EU had hitherto emphasized its civilian power, distancing itself from the alleged brutality of American displays of military power.

Not in this case. Launched in December 2008 to fight piracy off the coast of Somalia, EUNAVFOR is the first-ever EU managed non-peacekeeping operation, as well as the EU's first-ever naval mission. EUNAVFOR operates

independently from CTF-151, thus showing the willingness of European leaders to conduct military operations without relying on the US. In fact, the EU is one of the co-heads of SHADE. David Miliband, when he was UK foreign secretary, called for the EU to speak with a common European voice to become as influential as the US and China. EUNAVFOR is a step in this direction.

Russia is the other power using its presence in the Gulf of Aden to announce its renewed military power. Albeit smaller than during the Soviet era, Russia's Pacific Fleet has remained a constant presence off the Horn of Africa throughout the years.

Operating independently from all other navies, the Pacific Fleet has been one of the most effective in deterring pirate attacks and freeing seized ships. Following the approval of China's candidature to co-head SHADE, Moscow now seeks to emulate Beijing and participate in running an international military operation for the first time since the fall of the Soviet

Union.

Somali piracy has opened the doors to great power competition off the Horn of Africa. Military clashes between the navies present in the waters in and around the Gulf of Aden are almost unthinkable. In fact, coordination among them has been remarkably smooth. Somali pirates might have even helped to increase confidence between military officials of the US, China, the EU and Russia. However, the last three are benefitting from their presence off the coast of Somalia to an extent they could have never imagined. Operating independently, they are obtaining valuable war-like experience far away from their waters.

Maritime power is one of the essential elements for any country harboring great power ambitions. The Gulf of Aden is the first scenario where a new geopolitical game is being played out.

*Ramon Pacheco Pardo – Researcher in counter-proliferation and East Asian politics.



Public Diplomacy For The 21st Century

Public Diplomacy (PD) has become one of the most talked about areas of international relations in the past decade. It has gained currency in both academic and political circles especially in light of the September 11th terrorist attacks on New York and Washington

By Philip M. Taylor *

Public Diplomacy And Its Place In Foreign Policy

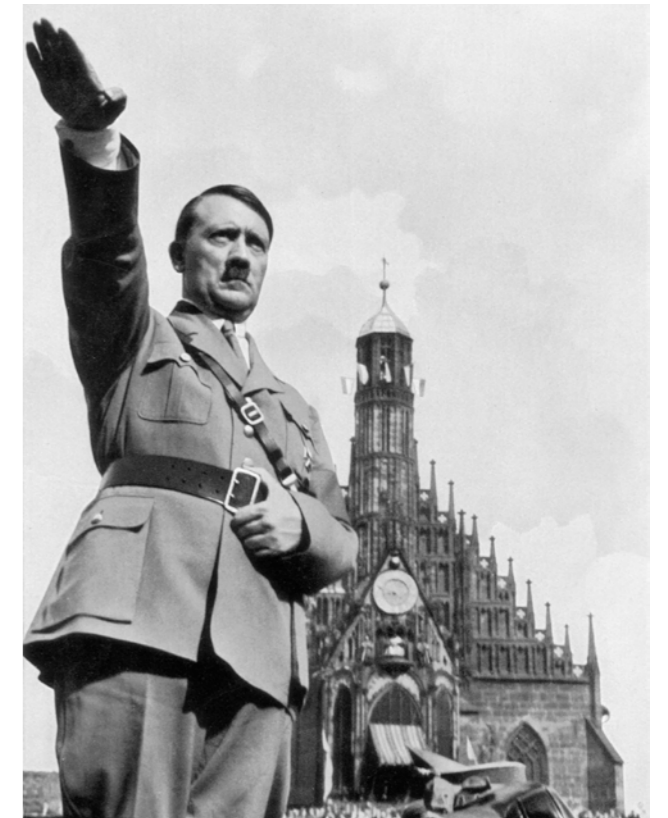
First, we need to establish what exactly Public Diplomacy means, what it can be used for, and why it is an indispensable tool for the nation state in the 21st century.

The term 'Public Diplomacy' was first coined in the 1960s essentially as an alternative to the word 'propaganda'. The American experts who formulated the concept knew that propaganda had become a pejorative word through the experience of the two world wars and by the prominence afforded it in the authoritarian regimes of Hitler, Stalin and Mao. It was felt therefore that the 'P' word was to be avoided at all costs because it had been tarnished by a popular reputation for telling lies – and lying was something that was not only counter-productive but also unsuitable for the moral high ground of any democratic regime engaging in any form of international communications. As Edward Murrow famously put it, 'Truth is the best propaganda'. In fact neither the word 'truth' nor the word 'propaganda' is very helpful any more. Today, there are many 'truths', or perhaps we should say 'faiths', given the origin of the 'P' word as the Catholic Church's organisation to counter Protestant ideas in the Reformation known as the Congregatio de Propaganda Fide. But just because Public Diplomacy was the preferred alternative phrase does not automatically mean that it is just another euphemism. While both activities are related, they are not one and the same thing. Propaganda is the attempt, usually deliberate, to get people to think and/or behave in a manner desired by, and primarily beneficial

to, the source. Public Diplomacy is something different, although its proximity to propaganda is reflected in my own attempt to label PD as 'propaganda for peace'.

Before returning to this controversial assertion, let us think of PD in more conventional terms. Although different nations give different emphases to their PD activities, all those that decide to undertake it essentially see it as a tool for projecting their national identity to foreign audiences. It acts as a lubricant to foreign policy by preparing public acceptance in foreign countries of another nation's activities. This is done primarily in two ways: (1) projecting culture and national values and (2) disseminating news and information. European nations often refer to the first as cultural diplomacy and many have established official or quasi-official organisations to do the work on their behalf. The UK has the British Council, the Germans have the Goethe Institute, the Italians have the Dante Alighieri Society, the French have the Alliance Francaise and so on. The work of these organisations ranges from the provision of foreign-language training in overseas countries to the despatch of national exhibitions or prominent speakers on foreign tours. Their objective is essentially the same: to expose foreign audiences to all that is best about the source nation so that those audiences come to think better about the source nation with a view to promoting mutual understanding between peoples and thereby better inter-state relations.

Because most communications experts agree that the most effective form of communication is face-to-face and born



of actual experience rather than via second hand mediation, cultural diplomacy places great emphasis on educational and student exchanges. By spending time in another country, living amongst its people, absorbing its culture, speaking its language, the thinking is that when the students and visitors return home, they will speak good rather than ill of that other country. This approach is based on the assumption that 'to know us is to love us'. The Malaysians launched an interesting programme along these lines known as the 'Second Home' initiative. The exchanges that take place along these lines are, of

course, exchanges between elites. The target audiences are not mass public opinion but amongst today's – and, more importantly, tomorrow's – movers and shakers in societies: opinion leaders, such as academics, teachers, politicians, captains of industry, artists, writers and journalists. These are educated leaders who are, or will become, well placed to speak well of the source country within their own society and, because their voice is borne of experience of having spent time in the source country, their views should command greater authority and respect.

This might seem an

The essential self-defining feature of PD that makes it different from other forms of propaganda is its mutuality and its reciprocity. Source and recipient both benefit, although perhaps not always in equal measure.

intangible activity for governments to engage in, but what we are talking about is influence. How does one nation gain influence amongst the public opinion of another country? The answer is via its educated elite. It can operate the usual instruments of power through diplomatic, military or economic relations. But in a global informational environment in which many voices are able – for good or ill – to command global audiences in spaces like the internet or the 24/7 real-time news environment, not investing in cultural diplomacy is really no longer an option. Nations need to explain themselves and, if they don't, then others with less favourable dispositions will do it for them. This brings us to the second component on Public Diplomacy, namely international broadcasting. Cultural Diplomacy may be an intangible long-term activity which doesn't necessarily guarantee success but there remains a need to counter misinformation and disinformation in the short-term about what a given nation really stands for. This is the rationale for various international broadcasters such as the BBC World Service, the Voice of Russia, the Voice of America or Deutsche Welle. Because this is one way, point-to-multipoint communications, many people within the PD community would argue that international broadcasting is not really PD at all. The essential self-defining feature of PD that makes it different from other forms of propaganda is its mutuality and its reciprocity. Source and recipient both benefit, although perhaps not always in equal measure. The source nation benefits by the generation of goodwill towards it in the

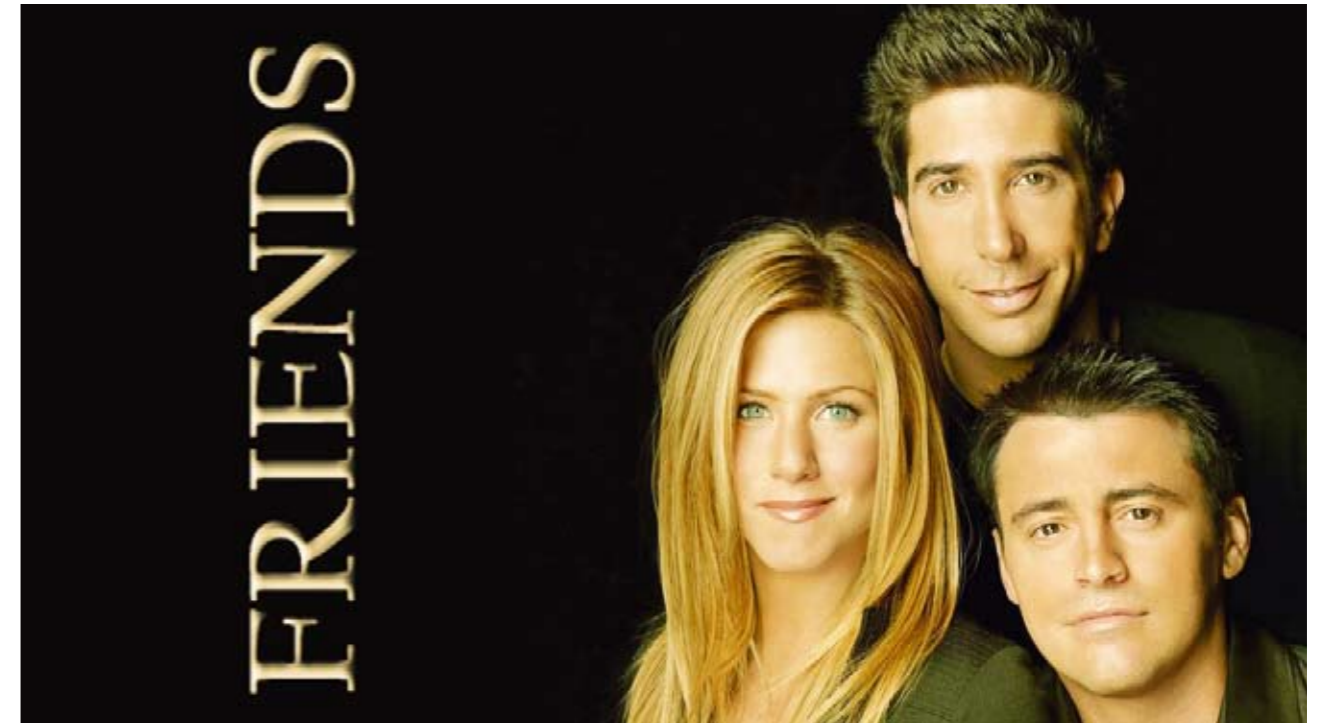
Cultural Diplomacy may be an intangible long-term activity which doesn't necessarily guarantee success but there remains a need to counter misinformation and disinformation in the short-term.

recipient nation which in turn will smooth the path of diplomacy and might even assist economic relations. The recipients benefit from enhanced educational and hence career opportunities in their own country accompanied by a residue of friendship, goodwill and a predisposition towards the source nation.

Or, so goes the theory. The traditional elite target audience of PD might not always be so susceptible to such foreign influence. For example, many of the 9/11 hijackers were from the elite target audience of PD, studying as postgraduate students in European universities. Just because they immersed themselves in western educational systems and were exposed to western values did not mean they were attracted to them. For me, this is the underlying flaw in PD's reinvigorated debate around the issue of 'Soft Power'. First formulated in the early 1990s by Joseph Nye, the concept of Soft Power evolved into an alternative to hard power in the post Cold War era. Essentially, Nye argued that if a nation was attractive to others through the dissemination of its values, culture and policies, others would want the same thing: 'to know us is to become like us'. This concept drew on the enormous success of US cultural products around the world, from TV series like Friends to Hollywood movies but its political implications were also significant. If a nation's cultural products

reflected the values of its society, it must also reflect the political structures which oversee that society. In the US context in which Nye was operating, this meant democracy, plurality and equality. One of the unspoken assumptions of the 1990s – before it became explicitly enshrined in the Bush Doctrine post 9/11 – was that democracies did not go to war against other democracies. The enemies of democracies were non-democracies like Saddam's Iraq or Milosovich's Serbia. As democracy seemed on the march in the post Cold War era, this all looked like the triumph of free-market liberal, capitalistic democratic regimes led by the American example. As long as 'you' were like 'us', everything would be OK.

The fallacies of this thinking were exposed on 9/11 when a group of fanatics targeted the World Trade Centre as their assault on free market global capitalism and the Pentagon as the symbol of American military power. The Americans had assumed that power would speak for itself and that American power was attractive as a 'force for good in the world'. They had reduced their Public Diplomacy activities over the previous decade to the point where the organisation created during the Cold War to wage ideological conflict against communism – the United States Information Agency – was closed down in 1999. But it was now the age of the internet which was to add new credence to the



Public Diplomacy tends to be two-way and is about listening as much as talking. It is about building confidence and trust, dispelling negative stereotypes and, over time, creating mutual understanding that benefits both sides.

old axiom that information is power. Advocates of PD argued that, in such a world, there was a need for more explanation, not less. Yet, they forgot to their peril that familiarity can breed contempt.

Lessons for The Public Diplomacy of Other Powers

The new phrase 'Global Engagement' reflects a long standing democratic fear of the word propaganda. Indeed, other 'P' words continue to cause anxiety. The military phrase Psychological Operations (PSYOPS) is another example and, in mid 2010, the Pentagon changed its name to Military Information Support Operations.

But what about Public

Diplomacy? Despite all the early promise of the Obama administration to engage the United States in Global Engagement, very little progress – and certainly no major Public Diplomacy initiatives – has been made. As mentioned earlier, Public Diplomacy was distinguished from other forms of official targeted communication and persuasion by virtue of its reciprocity and mutuality. Propaganda tends to be one-way, from source to target, and is designed primarily to benefit the source. It is about talking more than listening, although it is most effective when it does hear the audience. Public Diplomacy tends to be two-way and is about listening as much as talking. It is about

building confidence and trust, dispelling negative stereotypes and, over time, creating mutual understanding that benefits both sides. Of course, the source nation may ultimately be the greater beneficiary if it results in outcomes that benefit national interests – such as improved trade in tangible terms, or in goodwill in a more intangible sense. And if the ultimate objective of free market capitalistic nation states, whether democratic or otherwise, is trade that generates profits and improvements in standards of living for their citizens, then peaceful co-existence is a sine qua non. That is why I call Public Diplomacy 'propaganda for peace'. The word 'peace' somehow takes the sting out of the word 'propaganda'.

That may well be an academic argument, but it is important to recognise that Public Diplomacy is not some form of international altruism. It is about governmental efforts in the

areas of information, culture, politics and economics that will ultimately serve national interests. It is very much a concept born out of a democratic system of government. Traditional diplomacy, i.e. government-to-government negotiation, predates modern democracy whereas Public Diplomacy is very much a product of the more recent democratic recognition that public opinion actually matters, especially in an age of mass communications. When it first began to be conducted on a concerted scale in the 1930s (when the British Council was founded and the BBC Arab language broadcasts began), the idea of governments talking directly to the peoples of foreign countries, bypassing traditional governmental and diplomatic channels, was resented in some countries, especially in authoritarian regimes that wanted to control the flow of news and information to its own people. They tried to



In such a 'noisy' world where information, misinformation and disinformation overload creates problems of not only what to believe but also who to believe, I would argue that the kind of emphasis which Public Diplomacy places on international education is even more vital than ever before. This is because education about 'others' provides an informed context in which the chaff can be separated out from the wheat, or the conspiracy theories out from the facts.

Many countries who have not historically undertaken Public Diplomacy are awakening to the new communications realities of the 21st Century. Even small nations like Denmark, in the wake of the notorious Mohammed cartoons crisis, have realised that they need to be more proactive in the field of Public Diplomacy if they are not to be misrepresented by their adversaries. The Peoples' Republic of China has in recent years been increasing its PD activities,

especially in Africa, through the creation of its cultural diplomacy agencies known as Confucius Institutes as well as increasing the foreign language broadcasting of China Radio International. Some nations are looking at one approach which has emerged in recent years, such as Nation Branding, while others see it essentially as a national Public Relations exercise. Then there are those defining international moments which nations attempt to exploit for projecting positive images, such as hosting the Olympic Games or the football World Cup or even Formula One races. Saudi Arabia derives enormous Public Diplomacy currency within the Islamic World through the Haj.

But Public Diplomacy is not just about moments. It should be regarded as a movement, a mobilisation over a sustained period of time of all that is best within any given society across the spectrum of creative human activity. This begs the question, because every society has its problems, of what to do about those issues which cause concern abroad. The international community frequently gets agitated about issues of human rights, capital punishment, mistreatment of minorities, social, legal and political injustice and other potential points of friction. These cannot simply be ignored – silence is not an option anymore – but they do need to be addressed in

terms of explaining the wider context in which such frictions take place. The objective is to explain rather than to explain away or ignore. Enshrined in the United States Charter is the principle that one nation should not interfere in the internal affairs of another, although that has been tested to the limit in places like Iraq. But if criticism should not be treated as an attack in a gut reaction, it does need to be addressed in a reflective and contextualised manner. Public and Cultural Diplomacy can seriously address such frictions by generating greater mutual understanding of why one nation behaves in a manner that is different from another. There may, or may not, be good reasons why this is the case but so long as the issues can be addressed, there is hope that they can be resolved. After all, debate, persuasion, engagement, exchange and self-reflection are essential alternatives to war.

Public Diplomacy is not a panacea for all the tensions that bedevil international relations. It can be done well, and it can be done badly, and some nations do indeed do it better than others. Some nations, such as Canada and Sweden, which are held in high regard internationally, don't even know they are doing it all. Those that are most successful recognise that it is a form of international communication which creates positive rather than negative outcomes, however nebulous or however tangible. I myself would argue that nations can only 'brand' themselves to a limited degree because nations are far more complex than washing powder or automobiles. If you approach the projection of national

values from a marketing perspective, there will only be a limited amount of willing consumers who are willing to buy into the 'product'. But if you approach Public Diplomacy as a necessary function of the state in the information age that is based upon mutuality and reciprocity and where celebration of difference is as important as the commemoration of anthropological similarity amongst human beings, regardless of religion, creed or culture, then over time you have every chance of success. It is not just about 'talking the talk'. Imposing your national perspective upon foreign audiences could prove counter-productive. That can be perceived as a form of cultural imperialism. But there are elements of every society that can fascinate others and the job of Public Diplomacy is to identify those premiums and to facilitate their exposure. It may be through a moment, such as the 2010 World Cup which, in its wake, exposed the progress (and lack of it) which South Africa had made since the end of apartheid to hundreds of thousands of foreign visitors. But it really needs to be a sustained movement with constant attention and explanation of change. Ultimately, however, to succeed, you must also 'walk the talk' because, when all is said and done, actions still speak louder than words, even in this post-modern age where words (and images) appear to be more real than reality itself. ☑

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Saudi Ambassador to Greece

Saudi-Greek Relations Deep Rooted in History

Mr. Saleh Mohammed Al-Ghamdi, who is currently serving as Saudi ambassador to Greece and non-resident ambassador to Bulgaria, has exerted intensive efforts in boosting the links between Riyadh and Athens on the one hand and between the Kingdom and Bulgaria on the other. A senior diplomat with a vision, Al-Ghamdi witnessed the Saudi-Greek history in the making, when Foreign Minister Prince Saud Al-Faisal visited Athens and held wide-ranging talks with senior Greek officials.

Interviewed by Ghazanfar Ali Khan

In an interview with The Diplomat, Saudi Ambassador Saleh Mohammed Al-Ghamdi spoke about the progressively growing relations between Saudi Arabia and Greece. He is concerned about the financial situation of Greece, but he is

hopeful that the situation will attract more investment from the Kingdom in particular and from the Gulf states in general. Moreover, he is happy that the Greek government has put strong measures in place to recover from the financial crisis in which this Eurozone

country has fallen.

Q. How do you evaluate the overall relation between Saudi Arabia and Greece? Please answer this question with special reference to political and commercial ties between Riyadh and Athens.

The Saudi-Greek relations in general are deeply rooted, because of the geographical location and the interest shown by the Greeks since antiquity to master the seas as well as to maintain and strengthen this communication line with Arabs. This resulted into a strong relation with the spirit of creativity, especially in the areas of mathematics and philosophy as well as poetry. The two regions, of course the Kingdom is part of them, adopted these sciences in their cultural legacy. Moreover, the coordination and consultancy between the two sides on matters of external policy did not stop, especially after the agreement on political consultation signed by the both ministries of foreign affairs in April 2008.

Greece considers Saudi Arabia to be the pole of Islam in the world and praises the Kingdom's foreign policy of non-interference in the internal affairs of other countries, along with its characteristic wisdom and moderation when dealing regional or international issues. This position creates an atmosphere of stability in the relations between Greece and Muslim communities, particularly with Turkey. In the economic sector the Kingdom is an important trading partner of Greece. A number of agreements and MoUs have already been signed by the two countries, while we expect more to be signed soon.

Q. What is your comment on the financial situation of Greece? Do you think that the crisis in Greece will affect commercial relations between the two countries?

Greece presently is experiencing difficulties since it is going through a very difficult economic phase because of the size of its large debts. The Greek government is trying to find a solution to this program through the European Union and the

International Monetary Fund. Moreover, Athens has taken aggressive steps at home to rationalize the economy and correct its course. Greece has already begun to speed up the enactment of laws related to investment to attract foreign capital as part of its attempts to boost the economy. This will increase the Saudi economic presence in Greece in months and years ahead.

Q. What is the status of the mosque project in Athens?

The Muslim community in Greece has been trying to build a mosque in Athens with official permission for the last 30 years. In fact, an official decision on the occasion of the Athens Olympic Games in 2004 to construct an Islamic Centre in Athens was already made. In 2006, the Greek government decided to build this mosque on its own expenses, but not much progress has been made. We hope that this project will be realized soon because of the urgent need of a mosque for the growing Muslim population of Athens.

Q. Is there any plan to exchange political and commercial delegations in near future? What kind of exchanges are expected between the two sides?

A Saudi trade delegation representing several sectors visited the Republic of Greece during the month of June this year as part of a tour that took them to a number of European countries. The aim of this tour is to promote trade and investment relations between the Kingdom and several European partners. Concerning the exchange of political delegations, both friendly countries have similar approaches on a range of regional and international issues. To this end, I would like to note that visit of Saudi Minister of Foreign Affairs Prince Saud Al-Faisal in Nov. 2008 on the invitation of the

The volume of trade between Saudi Arabia and Greece increased from \$3.1 billion in 2000 to \$5.2 billion in 2006 and then declined slightly in 2007.

former Minister of Foreign Affairs Dora Bakoyannis. Also, Greek Minister of Tourism and Culture Pavlos Geroulanos visited Saudi Arabia recently in response to an invitation of Prince Sultan Ibn Salman, chief of the General Authority for Tourism and Antiquities.

Q. What has been the volume of two-way trade between Riyadh and Athens? What are the major exports and imports?

The volume of trade between Saudi Arabia and Greece increased from \$3.1 billion in 2000 to \$5.2 billion in 2006 and then declined slightly in 2007. Saudi Arabia ranks as the first country among Arab nations so far as trade relations are concerned. In 2007, the Saudi exports to Greece exceeded \$3 billion. More efforts are required to

be made to boost investment and trade links between the two countries. Saudi Arabia imports marble, metallurgical equipments, vegetables and fruits as well as machinery and scientific instruments from Greece.

Q. 7 Are there some major Saudi investments in Greece? Can you provide some information about recent joint-ventures or some acquisitions made by Saudi companies in Greece?

Yes, there are private Saudi investments in Greece. The Olayan Group has some investment, while the Saudi Jazan Agricultural Development "Jazdco" has some 10 percent stake in a Greek company for marine products called "Cillonda", which is one of the leading European companies. As for





The visit of Minister of Foreign Affairs Prince Saud Al-Faisal to Athens was the highest Saudi official visit to Greece in the recent times.

“I think our economies luckily are complementary to each other rather than competing with each other, I think that we can learn a lot from Greece in many areas such as tourism, games, and Greek diplomacy.” - HRH Prince Saud Al Faisal.

Marble, the Saudi company known as Granite and Marble International, which is one of the largest of its kind in the Middle East, has bought a factory in Greece and the plant is expected to increase the sales of Greek marble.

Q. How do you see the prospects of tourism in Greece for Saudi and Gulf nationals? Is there plan to send some Saudi students to Greece within the framework of the King Abdullah Scholarship Program in near future?

Statistics indicate that the Saudi tourists abroad increase every year. Their number in the year 2009 reached four million tourists, who spent more than \$50 billion in different countries. The Arab and East Asian countries had the largest share of bookings

from Saudi travelers because of the geographical proximity and the lower cost of tourism particularly the countries of East Asia. On the other hand, a draft MoU to promote tourism cooperation between Saudi Arabia and Greece is in the final stage. The visit the Greek Minister of Culture and Tourism Geroulanos to the Kingdom recently was within the framework of the proposed cooperation in tourism sector.

On the other hand, we are hopeful that we will soon see more Saudi students studying in Greece. There are a number of Greek students who are about to complete their graduate studies from the King Abdullah University for Service and Technology, an international university

of repute opened by King Abdullah in 2009.

Q. What is Greek position on political issues confronted by the Middle East countries, especially on the Middle East peace process?

Greece, as an EU country, maintains a balanced position on the Palestinian-Israeli conflict and on the need to ensure peace and stability in the region. Greece calls all parties to support Arab rights, urge to renounce violence and establish a Palestinian state and an Israeli state.

Q. What is your perception of the visit of Prince Saud to Athens and his talks with top Greek officials in 2008?

The visit of Minister of Foreign Affairs Prince Saud Al-Faisal to Athens was the highest Saudi official visit to Greece in the recent times, which testifies the value attached by Riyadh to its relations with that country. The perception is evident from the fact that Greek Minister of Foreign Affairs Dora Bacoyannis echoed similar views on a range of political issues of common concerns. She said that “Prince Saud is acting firmly to support and promote the Arab-Hellenic friendship.”

Bacoyannis spoke high about the bilateral talks followed by the talks between the two sides on the sidelines of the General Assembly of the UN at that time. She renewed her support to the Saudi initiative aimed at bringing peace in the Middle East.

On his part, Prince Saud remarked: “I think our economies luckily are complementary to each other rather than competing with each other, I think that we can learn a lot from Greece in many areas such as tourism, games, and Greek diplomacy. He went on saying that he appreciated the role played by Greece in the Middle East, a position based on principles such as justice and equality as per the norms of international laws. ☑



Attracting Capital to Saudi Arabia

By Joel Schoppig

Saudi Arabia is positioning itself well in the global economy. It opened its stock market to foreign investors in 2008 and thanks to strong macroeconomic fundamentals and highly positive demographics, it is becoming an increasingly attractive place to invest in.

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The government’s \$400 billion stimulus package, the largest as share of GDP among G-20 countries, and exceptional financial measures have led to a strong economic recovery. Banque Saudi Fransi, one of the country’s leading financial services providers, predicts a growth rate of 3.9%, up from 0.15% last year. It further predicts an inflation rate of 4.7% and a current account surplus of 77% for this year. Moreover, oil prices at over \$70 a barrel enable the government to keep spending aggressively and still generate a significant fiscal surplus. Thanks to higher output and oil prices the Saudi Arabian Monetary Agency, the country’s central bank, was also able to bring its foreign asset holdings back to a pre crisis level. This

strengthens the government’s commitment to a fixed exchange rate and keeps currency risk down. Yet, while these numbers draw a bright picture of the overall state of the Saudi economy the question remains what to invest in?

The kingdom’s fate is still strongly dependent on oil. The petroleum sector accounts for 45% of GDP and 90% of exports. Major investment projects like the Aramco-Dow Jubail petrochemical project or the Yanbu refinery show that Saudi Arabia has great potential to not merely export crude oil but to process it, adding substantial value to the economy. As petroleum is likely to remain the basis of many industrial products for years to come, this provides very promising prospects on long term economic growth. However, while the country’s main potential lies in the development of the petrochemical industry, the government is actively trying to diversify the economy. This is an important measure if Saudi Arabia wants to become less vulnerable to shocks in the global

demand for oil. These measures would also create employment opportunities for their rapidly growing population.

There are two factors besides the oil wealth that could make Saudi Arabia an interesting place for international investors.

One is the government’s intent to improve the infrastructure of the Arabian Peninsula’s largest state. Large infrastructure projects such as the Al Haramin high speed rail, a 444 km intercity rail system connecting Mecca and Medina, and investments in the Median Airport and King Abdul Aziz International Airport offer great opportunities for the infrastructure sector and boost employment.

The second argument to invest in Saudi Arabia—and at the same time the biggest economic challenge the government faces—is the country’s demographics. 38% of Saudi Arabia’s population are under the age of 15 compared to 30% in India and 18% in China. The strong population growth is great news for consumer facing companies as domestic consumption is bound

to rise significantly. As Saudi teenagers grow up they will want to have cars, phones and cosmetics, making Saudi Arabia a good place for companies that provide essential and discretionary consumption goods to invest in. Domestic demand further decreases the country’s dependence on the global demand for oil.

On the other hand the Saudi government will have to make sure that this new generation entering the work force will be able to find employment. The strong, oil fuelled, welfare state made many Saudis reluctant to work in the private sectors. But as unemployment rises and many Saudis struggle to maintain their living standard, the government has to try hard to encourage private sector jobs. The other demographic challenge will be to further integrate women into the work force.

With the economic climate in Europe and the United States getting colder, investors are moving south to find new investment opportunities. As it opens up its markets, Saudi Arabia’s oil wealth and favourable demographics are likely to attract more and more international capital. To definitely put the country on the emerging markets map, the government needs to continue its path of economic reform. Encouraging private sector activities, modernizing the financial system and creating jobs will be essential if the Saudi lion wants to keep up with the dragons and tigers out there. ☑



Israel's Reckless Foreign Policy

By Paul Adrian Raymond

Israel's raid on the Gaza Freedom Flotilla in early June prompted a worldwide gale of criticism. This was hardly surprising given the nature of the operation, a bold military attack on civilian ships in international waters which left nine civilians dead and dozens injured.

Notable, however, were the sources of the criticism. The Financial Times, a conservative British broadsheet, slammed the attack as "a brazen act of piracy." The firmly mainstream Brussels/Washington think tank, International Crisis Group (ICG), swiftly labeled

Israel's ongoing blockade of Gaza "morally appalling and politically self-defeating." Even the Conservative, pro-Israeli British Prime Minister David Cameron remarked that Israel's siege of the coastal strip strengthens, rather than weakening, the Islamist group Hamas in Gaza.

All this reflects growing indignation at Israel's belligerence abroad, itself partly a factor of domestic politics. The current Israeli government, a hard-right coalition led by Likud Prime Minister Benjamin Netanyahu and his controversial foreign minister Avigdor Lieberman,

has adopted a fairly standard platform that appeals to the Israeli right – uncompromising diplomacy, not least in Washington, combined with an unrestrainedly bellicose approach to security and military matters. But recently, its policies have been raising more eyebrows abroad than is normally the case.

Take, for example, the February assassination of a Mahmoud Al Mabhoh, a Hamas operative, in a Dubai hotel room. Normally, such a killing would provoke little opprobrium from western capitals, which have themselves long refused to engage with Hamas on the grounds. But when it emerged that the Mossad agents who allegedly carried out the killing had used altered European and Australian passports to enter Dubai, there was an unusually sharp reaction from the governments concerned.

Britain and Ireland both called in their resident Israeli ambassadors for "talks" and summarily expelled Israeli diplomats in their respective capitals. London slammed the use of forged passports as "intolerable" and said it showed a "profound disregard" for Britain and its sovereignty.

Even Australia, one of Israel's most stalwart supporters, expelled an Israeli diplomat from the capital Canberra, saying that "these are not the actions of a friend." Australia later abstained from a UN resolution calling on Israel to investigate possible war crimes during the deadly "Cast Lead" assault on Gaza in 2008-9, rather than voting against the motion as expected.

But it would take more than the faking of some passports to disrupt ties between Israel and Australia for long. European governments, too, were quick to paper over the cracks with assurances that bilateral relations would soon be back to normal – as indeed they were.

It may be too early to tell if the same outlook applies to Israel's relations with Turkey. The flotilla attack was only the latest in a string of incidents that have seriously jolted relations with what has until recently been Israel's closest strategic partner in the Middle East.

It was back in January that Israel's Deputy Foreign Minister, Danny Ayalon, deliberately humiliated the Turkish ambassador to Israel during a press conference. Israeli officials had taken umbrage at a television drama depicting Israeli soldiers engaging in acts of brutality. When he summoned Ankara's envoy, Ahmet Oguz Celikkol, Ayalon made sure the Turkish ambassador was seated in a lower chair than himself, and that no Turkish flag appeared beside the Israel one on the table in front of them. Ankara responded furiously to the slight, repeatedly demanding an official apology. Ayalon eventually backed down. Turkish Prime Minister Recep Tayyip Erdogan remarked bitterly that Israel should "put

itself in order."

Much worse was to come. After the flotilla raid, it soon emerged that all nine protestors who had died were Turkish. The fact that the Gaza-bound ships were sailing under Turkish flags when Israeli commandos went aboard only added to the feeling among the Turkish public that this was an attack on Turkey's integrity. Angry demonstrations in Turkey's main cities were broadcast around the world, and Ankara threatened to cut ties with Tel Aviv. Both governments have gathered nationalist support at home for their subsequent hard talk. The gap between them seems set to grow.

The current Netanyahu government is not the first Israeli administration to behave with this kind of disregard for Turkey. Ankara officials were outraged when the Israeli army launched its devastating 2008-9 war on Gaza only the day after former Prime Minister Ehud Olmert visited the capital to discuss Turkish-led talks between Tel Aviv and Damascus. (The talks

subsequently collapsed).

But the Netanyahu-Lieberman-Barak coalition's recklessness goes beyond that of its predecessors, even triggering wobbles in relations with Israel's main sponsors in Washington. The visit of US Vice President Joe Biden to Israel in March was overshadowed by the Israeli Interior Ministry's announcement that it would build 1,600 new homes for Jewish residents in occupied East Jerusalem, supposedly the future capital of a Palestinian state – one of the issues on which the Obama administration is trying to revive negotiations.

On Netanyahu's latest visit to Washington, both he and President Obama put great efforts into mending bridges damaged by this and their recent disagreements on West Bank settlements. Obama confirmed that "the bond between the United States and Israel is unbreakable."

That is without doubt, despite differences between the two over terms for re-starting talks with the





it is worth asking whether all these policies come from a coherent strategy at all, or are simply part of a defensiveness that sees every criticism and incident as another crack in the dam that holds back the destruction of Israel.

Palestinians. But Israel's ability to destabilize the Middle East is another axiom of regional politics, and something of which Washington should be wary. Moreover, shooting dead international activists and playing hard and fast with carefully forged, deeply important regional ties is a dangerous game for Israel.

Turkish ties with the Arab world are growing fast, as evidenced by a seven-fold increase in Turkish exports to MENA countries in the seven years to 2009. Ankara also enjoys relatively warm relations with Israel's arch-enemies in Tehran. This, along with dire rumors of an approaching war with Hizbollah, the Iran-linked militant group in south Lebanon, and the possibility of a direct confrontation between

Israel and Iran over the latter's nuclear programme, would seem to make it imperative for Israel to hold on to every friend it can find. So why is Tel Aviv playing such an apparently careless game?

There are several possible explanations. The demands of Israeli domestic politics, particularly the outspoken nationalist right, make it imperative for governments to be seen as tough towards any threat – potential or otherwise. Israelis, for all their country's military might, are accustomed to living with a siege mentality, and talk of nuclear-armed Iran and a re-grouping Hizbollah have paid domestic dividends to right-wing politicians in Israel, who tend to thrive on conflict. Being seen as tough on Israel's enemies is an indispensable and time-honored tool for taking or holding on to power in the Knesset. The famously combative Foreign Minister Avigdor Liebermann, who refused to discuss issuing an

apology for Israel's killing of nine Turkish civilians, owes much of his political career to this factor.

There is certainly public pressure for such an approach. The day after the flotilla raid, there were demonstrations around Israel in support of "our soldiers." And outspoken public support for a defensive stance internationally does not begin and end at Gaza. During Netanyahu's recent visit to Washington, influential settler groups placed prominent advertisements in Israeli newspapers warning Netanyahu not to give in to American pressure by renewing a 10-month freeze on building in illegal West Bank settlements, set to run out in September.

But all this in any case chimes with Benjamin Netanyahu's narrative that growing international criticism of Israeli policies is part of a coordinated campaign by the country's enemies to undermine the

very existence of the State of Israel. "Delegitimizing the delegitimization" has become the somewhat clumsy catchphrase of Israel's recent, very active, global public relations efforts.

At the very heart of this ideological universe lies the question of Iran. For Netanyahu and many of his supporters, Iran represents a threat to the Jewish people of a magnitude not seen since Hitler. He and his colleagues in government are already facing intense criticism and public pressure to secure the release of the soldier Gilad Shalit, who has held by Hamas since 2006. They are determined not to be seen as apathetic towards Tehran's nuclear ambitions.

But whether their current combative strategy will bring results for Israel is debatable. As one Israeli newspaper columnist asked back in January, even before the flotilla debacle, "Are they nuts? Are they determined to get Turkey supporting Hezbollah and Hamas?"

Indeed, it is worth asking whether all these policies come from a coherent strategy at all, or are simply part of a defensiveness that sees every criticism and incident as another crack in the dam that holds back the destruction of Israel. The Israeli right certainly shows a tendency to take the latter view.

Ilan Pappé, a renegade Israeli historian now teaching at Exeter University in Britain, wrote recently of how hard it is to describe to non-Israelis how deeply such perceptions are grounded in the Israeli psyche. Referring to the ongoing siege of Gaza and the excessive use of a "hectic propaganda machine" that describes virtually every Israeli action as self-defense, he wrote that the current government simply "does not know any other way of responding to the reality in Israel and Palestine". This can only bode badly for an increasingly tense region. ☑



J Street vs AIPAC

By Stephen Glain*

A geopolitical war is on for the soul of Jewish America, and it is asymmetrical. For decades, conservative groups, led by the American-Israel Political Affairs Committee, or AIPAC, have insisted that they alone spoke for a monolith known as the American Jewish community. For the first time, that claim is being seriously challenged. In the two years since its launch, J Street has created an air pocket where liberal Jews can express themselves in the otherwise stultified debate about Israel and America's support of it. At stake, according to friends of J Street, is whether Israel can survive as a Jewish state in co-existence with its neighbors, or hunkered down and segregated in a ghetto of its own making.

In March, when the Israeli government defied US President Barack Obama's peace efforts by announcing it would build Jewish housing blocks in Arab East Jerusalem—with Joe Biden, Obama's Vice President, in Israel on a goodwill mission, no less—even Israel's close supporters in America condemned it as an intolerable snub.

Israeli resistance against US pressure for a settlement freeze is nothing new, of course. This time, however,

Americans had a place to park their outrage. Within hours after news of the slight broke, J Street, a pro-Israel, pro-peace lobbying group, received 18,000 signatures on its website from citizens expressing support for Mr. Obama's Middle East policies. "There is a vast majority of American Jews who form a moderate center and who want Israel to survive," says J Street media coordinator Amy Spitalnik. "We're creating space for them."

A geopolitical war is on for the soul of Jewish America, and it is asymmetrical. For decades, conservative groups, led by the American-Israel Political Affairs Committee, known as AIPAC, have insisted with impunity that they alone spoke for a monolith known as the American Jewish community. For the first time, that claim is being seriously challenged. In the two years since its launch, J Street has created an air pocket where liberal Jews can express

themselves in the otherwise stultified debate about Israel and America's support of it. At stake, according to friends of J Street, is whether Israel can survive as a Jewish state in co-existence with its neighbors, or hunkered down and segregated in a ghetto of its own making. "J Street has to succeed," says a pro-peace veteran of the Israel-lobby wars who has found herself on the losing end of many a battle with AIPAC. "It cannot fail. Otherwise, the entire left will go down with it."

Others discount the influence J Street or any other lobbying group might have over the making of US Middle East policy. For them, "creating space" for liberal Jews in America is less important than facing "facts on the ground" in Palestine. "I'm under no illusion that a single organization will create that much change," says Aaron David Miller, a scholar at the Woodrow Wilson International Center who served for years as a State Department advisor on Middle Eastern affairs. "The chances for peace will be driven not by domestic politics but the prospect of success for a deal between Arabs and Israelis."

Liberal pro-Israeli organizations are not new to Washington, where J Street is based. (Though its name is a sly commentary on how muted is the pro-peace camp: there is no J Street in Washington's alphabetized urban grid.) There is Americans for Peace Now and the New Israel Fund, for example, which as non-profits must confine their activities to educating legislators and opinion makers about Israeli affairs. J Street, on the other hand, is registered as a political action committee, which allows it to contribute to political campaigns and endorse candidates. This year, according to Spitalnick, the group expects

"The majority of American Jews support the president, support the two-state solution and do not feel that they have been well represented by organizations that demand obedience to every wish of the Israeli government." - Jeremy Ben-Ami

to raise \$1 million in support of 60 candidates for mid-term elections. It has an operating budget of \$4.5 million and it has 40 full-time staff members on its payroll. It boasts over 150,000 supporters, 7,000 of whom contribute regularly to the group's campaign war chest.

If that sounds impressive, consider J Street's opposition. AIPAC, long regarded as one of the most effective lobbying groups in Washington, has a \$60 million budget and 300 employees. Its ability to cajole and coerce Congress to its will is legendary. AIPAC lobbyists have been known to draft resolutions on behalf of the Israeli right and get them passed into law by wide margins. Its annual convention is attended by at least half the members of Congress and it has a powerful ally in the Christian-Zionist movement in America, including Christians United for Israel, a San Antonio, Texas-based group with a congregation of 19,000 worshipers.

Needless to say, if there is an AIPAC-J Street fight going on, it is less Clash of the Titans than it is Tom and Jerry. By leveraging the internet and its small but agile web of field offices nationwide, J Street has managed to level the playing field for dissenting views on Israel's hard line policies. During Israel's December 2008 siege of Gaza, for example, legislator Donna Edwards of Maryland was one of a handful of lawmakers who refused to vote for a resolution supporting the Jewish state's right to defend itself, in part because of its disproportionate response to Palestinian provocation. Angered at Edwards' position—she and twenty-one similarly conflicted Congressmen had voted "present" on the motion—some local Jewish leaders suggested they might whip up a primary challenge against her re-election bid this year. Enter J Street, which rallied to Edwards' defense with \$30,000 in fresh

campaign funds within 48 hours. Talk of a primary fight quickly dissipated.

J Street has also organized Congressional tours of Israel that counter the narrative Israeli authorities routinely spoon-feed visiting lawmakers. In February, a group of Democrats made headlines during their J Street-sponsored visit to Israel when Deputy Foreign Minister Danny Ayalon refused to see them. William Delahunt, the Massachusetts representative who led the delegation, called the decision "a real surprise and disappointment" and he implicitly scolded Ayalon, who publicly suggested that J Street is anti-Israel, for impugning the delegation's motives. "It is unwise for anyone," he said, "to take disagreements as to how to accomplish our common goals and purpose, which is to achieve peace and security—and to misrepresent those differences as questioning support and concern for the state of Israel itself."

Delahunt's rebuke was resonant of J Street's most subversive message: that the conservative establishment does not represent the sympathies of American Jews any more than occupation serves Israel's long-term interests. Through aggressive use of polling data, the group has established how Obama's approval ratings among American Jews is 15 percent higher than the national average; that a majority of Jews oppose further settlement building and support a strong US role in the Arab-Israeli peace process, which AIPAC and its allies implicitly oppose; and that most Jews approve of President Obama's public criticism of the Israeli government when it obstructs the peace process. (The poll also revealed that Israel is not a major Jewish preoccupation; the country rated eighth among the average respondent's lists of concerns.)

"People are tired of being told you are either with us or

against us," J Street founder Jeremy Ben-Ami told The New York Times in May. "The majority of American Jews support the president, support the two-state solution and do not feel that they have been well represented by organizations that demand obedience to every wish of the Israeli government." His remarks were published in a story that focused on an evolving constituency of Israel supporters who reject "the old-school reflexive support of the country's policies, suggesting that one does not have to be slavish to Israeli policies to love Israel." For a fledgling influence-peddler in a rough market like J Street, this was a real coup.

In creating space for dissent, J Street is in many ways mining opportunities created by conservative overreach, both in the US and in Israel. Over the last few years, groups like AIPAC, often working quietly or through proxies, have adopted tactics against Israel's critics of an increasingly thuggish cast. Legislators have complained—entirely off the record, of course—of a growing AIPAC imperiousness in their demands for votes and other displays of support. In 2006, when scholars John Mearsheimer and Stephen Walt wrote a provocative article that alleged a pernicious Jewish lobby was manipulating US foreign policy, the attacks set a new standard for biliousness. (The Anti-Defamation League, a major conservative group called it a "classic conspiratorial anti-Semitic analysis invoking the canards of Jewish power and Jewish control.") They were followed by a campaign against historian Tony Judt, who has called for a bi-national Palestine, and an assault on the character of Chas Freeman, a career State Department Arabist and open critic of Israel, after he was offered a key national security post in the Obama administration. The offer was



ultimately withdrawn.

Meanwhile, Netanyahu has tested the limits of the US-Israeli relationship like few Israeli leaders before him. In addition to his mishandling of the Biden visit, he reportedly called White House aides David Axelrod and Rahm Emanuel "self-hating Jews." His inclusion of the openly anti-Arab, some say fascist, Avigdor Lieberman into his ruling coalition, and his refusal to endorse an independent Palestine have alienated some of the most committed of America's Jewish Zionists.

Inevitably, J Street has made several missteps and it has disappointed liberals with policy recommendations that do not stray significantly from AIPACism. Last summer, it equivocated lamely over whether or not it would urge senators to sign an AIPAC-backed letter that called on Arab leaders to normalize ties with Israel without a reference to Israeli settlement activity. It has expressed support for an Iran sanctions bill in Congress that the White House opposes as overly restrictive and it condemned as "one-sided and biased" a United Nations

human rights report that concluded both Israelis and Palestinians committed atrocities during Israel's invasion of Gaza.

It would be churlish to applaud J Street's independence while scolding it for not unswervingly towing the liberal line. There may be less to the group's initial success than meets the eye, however, for reasons that say more about the political ecology of Washington than they do about J Street's commitment to peace. J Street has distinguished itself by emphatically endorsing an independent Palestine, contoured roughly along its pre-1967 borders and with east Jerusalem as its capital. Seen from the Middle East, however, that merely places the group within a stale orthodoxy that has come to mean nothing inside Palestine itself. Demands for a settlement "freeze," for example, are regarded in the West Bank as a hollow gesture that resonates more in America's capital than it does in Palestine, where national survival is predicated on settlement removal.

Invariably, given

Washington's habit of domesticating overseas issues, media coverage of J Street has focused largely on the political implications of its challenge to the conservative order, with abundant references to J Street's "David" versus AIPAC's "Goliath." Unexamined is the growing irrelevancy of either group given the estrangement of Middle Eastern reality—on one side, a Palestine divided from within and Balkanized from without; on the other, Israel's dysfunctional and increasingly rightist political culture—from the totemic "peace process" as it is revered in Washington. As Palestinian journalist Ali Abunimah told the liberal magazine *The Nation* last November, "J Street is supposed to represent a tectonic shift, but it operates within the peace process paradigm and doesn't challenge it at all."

After eight years of Bush administration indulgence of the Israeli right, the only kind of presidential peace initiative that might succeed is one Israel is unlikely to accept, regardless of which Beltway lobbying group has

the whip hand. The debate in Washington over J Street's influence may be a lively one, but it has little to do with the region that informs it.

Only occasionally does a shaft of Middle East reality penetrate the Washington biosphere. On April 21, journalist Eyal Press discussed at the centrist *New America Foundation* a story he had written about the growing religiosity within the Israeli Defense Force. According to the article, published in the April 29 edition of the *New York Review of Books*, religious nationalists in the IDF are now so numerous and their influence so great within the officer class that an order to evacuate West Bank Jewish settlers "could spark mass mutiny." Neither Press' article nor his presentation rated significant mention in the mainstream media. ☑

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Turkey's Achilles Heel

Turkey should take great care to retain the international sympathy that has been accumulating since 2003 with its “step ahead” policy in solving Cyprus. Recently, Turkey’s focus on Gaza, Israel and Iran’s nuclear program has led it to overlook the Cyprus issue that matters greatly to the EU, the platform from which Turkey has been able to achieve so much in the region in recent years.

By Hugh Pope

Turkey’s energetic “zero problem” foreign policy of recent years has often been compared to a juggler trying to keep several balls in the air: rediscovering the Arab world, engaging with Iran, trying to help Israel and Syria make peace, normalizing relations with

Armenia, partnering with Russia, mediating in the Balkans and maintaining the US/NATO alliance—to name just the most obvious issues that keep Turkish Foreign Minister Ahmet Davutoğlu almost permanently en route to somewhere.

Turkey’s handling of this

bewildering whirl of issues brought plaudits from far and wide. In recent months, however, the act has become difficult to sustain. In the past year, well-negotiated protocols to open borders and establish diplomatic relations with Armenia got stuck when Turkey insisted on linking normalization to progress on resolving the Nagorno-Karabakh conflict between Armenia and Azerbaijan. Perceptions that Turkey was too close to the authoritarian regimes of Iran, Sudan and Syria have raised suspicions in Washington. And relations with Israel have hit a new low over Gaza, including the 31 May flotilla incident, which was surely not foreseen by either government, but has still robbed Turkey of its treasured image as a neutral player in the region.

Often overlooked, however, is the most important question of all: What is happening to Turkey’s negotiations to join the EU, and the inextricably related question of how to settle the dispute that divides EU-member Cyprus. Convergence with the EU is the strategic enabler that has helped Turkey win the attributes that underpin its regional charisma: a real Muslim democracy, a largely secular, pluralist society and a broad-based, fast-growing economy that has now grown to be worth half as much as the two dozen countries of the Middle East put together. Adopting EU standards has been the locomotive of a reform project that has kept Turkey’s demons at bay: tensions between Turks and Kurds, civilians and the military, secularists and Islamists, democrats and promoters of authoritarianism.

Since negotiations on full EU membership started in 2005, however, Turkey has faced a big problem: Leading politicians in France, Germany, Austria and some other EU states have done their best to derail Turkey’s talks. Strong support in the recent Dutch elections for an anti-immigrant party implacably opposed to Turkey in Europe shows

that this tendency remains, and it is making Turkish leaders increasingly bitter. They should keep their cool. EU leaders change and the history of the relationship shows that with time and hard work, Turkey has been able to co-exist and even overcome European skepticism in the long term.

But Turkey’s ability to sustain its EU negotiations, and all the great reforming energy that flows from the process, cannot survive without a settlement, or at least an accommodation, over Cyprus. It is here that Turkey faces a big short-term problem. The Greek Cypriot-run Republic of Cyprus is currently blocking half of Turkey’s 35 EU negotiating chapters, and, after the expected opening of one chapter on food safety this summer, only three chapters will remain that can be opened. If there is no progress on resolving the Cyprus problem soon, therefore, the accession process will grind to a halt.

This is somewhat unfair on Turkey. All sides have played negative roles in driving apart the majority Greek Cypriot and minority Turkish Cypriot communities, divided politically since 1963 and militarily since 1974. Turkey has tried since 2003 to persuade the Greek Cypriots and the world that it is seeking constructive ways to withdraw its troops from the northern third of the island. Indeed, Ankara supported the Turkish Cypriots’ 65 percent vote in favor of reuniting the island in 2004 with a UN plan for a bi-communal, bi-zonal federation. It was the Greek Cypriots who voted 76 percent against the EU-backed deal.

A new Greek Cypriot leadership under Demetris Christofias took power in 2008 and quickly reopened reunification talks. However, Christofias’ refusal to start negotiations from the existing UN text, his frequent postponement of meetings, his choice of anti-compromise parties as coalition partners and his attacks on Turkey eventually persuaded Turkish

Cypriots that the talks were going nowhere. In April, the Turkish Cypriots ousted their pro-compromise leader and voted in veteran hardliner Derviş Eroğlu. Even though Eroğlu has accepted Turkey’s advice to keep pushing for a settlement, it is clear that much momentum has been drained from the process.

If this fourth major round of UN-facilitated talks on a bi-communal, bi-zonal federation breaks down, UN officials are making clear they do not foresee a fifth round anytime soon. If a miracle doesn’t happen, therefore, the Cyprus talks will deadlock, with Turkey stuck on the outside of the EU.

Turkey’s new interest in becoming a regional power, and the EU’s own internal difficulties, make some believe that Turkey will not regret the end of its EU membership bid. But aside from the psychological importance of the EU reform engine, this ignores the reality that EU states take more than half of Turkish exports, supply 90 percent of Turkey’s foreign investment, and host four million Turks. The Middle East, while currently a growing market, takes just one quarter of Turkey’s exports, hosts a mere 110,000 Turkish guest workers and supplies only 10 percent of Turkey’s 27 million tourists.

So while all eyes are focused on Turkey’s dramatic juggling with Gaza, Israel and Iran’s nuclear programme, Turkey should take great care that it retains the international sympathy it has begun to win since 2003 with its “step ahead” policy in solving Cyprus. If Turkey lets the Cypriot ball drop to the ground in any way that can be construed as its fault, it will drive an immovable wedge between Turkey and the EU, and remove the platform from which Turkey has been able to achieve so much in the region in recent years. ☑

Hugh Pope – International Crisis Group’s Turkey/Cyprus Project Director and the author of “Dining with Al-Qaeda: Three Decades Exploring the Many Worlds of the Middle East.”

Behind the Ummah



Interview conducted by Shereen Alfaedy

Professor Ekmeleddin İhsanoğlu, secretary general of the Organisation of the Islamic Conference, spoke with The Majalla about the main concerns of the organization, and how his leadership has advanced the interests of the international Muslim community. His unanimous re-election as the secretary general, he argues, speaks to the successes of the OIC and its move towards modernization under his leadership.

Professor Ekmeleddin İhsanoğlu, a Turkish science historian, is currently the secretary general of the Organisation of the Islamic Conference (OIC). In effect, he heads the largest public international organization after the United Nations. Born in Egypt's capital, İhsanoğlu's studies in science took him throughout the Islamic world, culminating in his doctoral training at Ankara University. Since founding the Department of History of Science at Istanbul

University, he has focused on culture and academia in the Islamic world. Prior to his current position, he has been a lecturer and visiting professor at the University of Exeter in the United Kingdom, Ankara University, Inonu University and Ludwig Maximilians University of Munich.

Q: Whom does the OIC represent: Muslim people or the governments of Muslim countries?

First and foremost, the OIC represents the

governments, as its work is to coordinate actions among them. However, it also speaks for the Muslim community, aiming to represent the hopes and ambitions of the Muslim people. According to its charter, the organization is also expected to help Muslim agencies and communities outside its member states, and to assist in maintaining their cultural and religious identity.

Q: Some would say that the OIC is just a "verbal" organization whose role

is to issue statements that denounce or condemn?

I think that what the OIC is doing—the consensus of its member states, its role in informing the international public on the stance of the Islamic world—is effective.

Q: It has been argued that the OIC has been undergoing a stage of defeat. What would you say about that?

This is a misguided opinion, because the organization is expressing the desire of the Muslim people to consolidate. The same motive was behind King Faisal's commitment to establish this organization. Thus, it is not a representation of defeat, but rather an emphasis on the willingness to overcome obstacles and bring the Muslim people together.

Q: While the Arab League often contributes to some Arab Islamic issues, the OIC stands with its hands tied before other types of issues. For example, it has not taken action in the internal conflicts in Palestine, Lebanon, Iraq or Somalia. Why?

I do not think that recent developments can make us lose sight of the main achievements of the

OIC in this regard. If you read accurately what the organization has done in all these issues, especially Palestine, and reviewed the breakthroughs in December 17th, 2006, you will find that a delegation, which I headed, visited Ramallah, Gaza and Damascus and held meetings with President Mahmoud Abbas, the then-Prime Minister Ismail Haniya and the chairman of Hamas Political Bureau Khaled Meshaal.

The organization was able to achieve the first cease-fire agreement in order to reconcile the Palestinians. Moreover, I visited the Gaza Strip three times, the last of which was shortly after the Israeli war, and was the first visit by a Muslim official to Gaza. During this time we aimed at assessing the needs of the people in Gaza and launching a humanitarian campaign to aid those who were affected by the war.

Again, in the beginning of the war on January 3, 2009, we held an executive committee meeting in our headquarters and issued a resolution calling on the Human Rights

The organization is expressing the desire of the Muslim people to consolidate. The same motive was behind King Faisal's commitment to establish this organization.

Council to send a UN fact-finding mission to Gaza. This mission later issued the Goldstone report. After deferring action on the report, I traveled to Geneva to meet with the UN High Commissioner for Human Rights and made contacts with Muslim countries suggesting the report be endorsed by the council.

The OIC has also worked actively in Somalia: Our direct contact with Sheikh Sharif Ahmed has contributed to his openness to the international community, and has pushed forward the negotiations that led to Djibouti Agreement and the formation of a Somali transitional government.

Perhaps the last meeting of the international communications team concerned with Somalia, which was hosted by the OIC at its headquarters, has tangibly represented the realization of our

responsibility in establishing peace and security in Somalia. In addition, we will send a humanitarian mission to Mogadishu in the near future hoping to transform it to a permanent office at the appropriate time.

Q: Is it reasonable that Islamic sectarian conflicts escalate, while the OIC is far from taking any practical step to reunite Muslims?

The OIC has played an effective role in the historic reconciliation between Sunnis and Shiites in Iraq; it has succeeded in issuing the Mecca Declaration on the Iraqi Situation in October 2006, which has contributed in the reconciliation of the religious sects in Iraq. This document prohibits and criminalizes murdering Muslims, in addition to calling for the recognition of all eight Muslim sects. The organization is committed



Prof. Salim T S Al-Hassani, Chairman FSTC, Chief Editor 1001 Inventions Book & Prof. Ekmeleddin İhsanoğlu, Secretary-General of the Organisation of the Islamic Conference & Dr. Okasha El Daly, FSTC Projects Director, Author Egyptology: The Missing Millennium



to putting this declaration into effect and following up its implementation. We have already made some contacts to reach a common vision and will resume our consultation with the Iraqi government and concerned parties to achieve this goal.

Q: You always call for addressing terrorism, so what are the practical steps taken by the OIC in this regard?

The OIC strongly denounces terrorism as a threat to international peace and security, a contradiction to human rights principles, and a violation to sublime human values. The organization has been calling for collective international action, including the UN and other world organizations, to combat different forms of terrorism, among which is state terrorism.

We have also pushed for the establishment of an international definition for terrorism that differentiates this act from the legitimate struggle of people to decide their destiny and resist a foreign occupation. In addition, we have called for a focus on the roots and real motives of terrorism represented in political injustice, deprivation, poverty and disappointment, as well as implementing the recommendations of the International Anti-terrorism Conference that was held in Riyadh in February 2005, including the approved initiative of the Custodian of the Two Holy Mosques to establish an international anti-terrorism center.

The provisions of the 10-year program of the Mecca summit highlight the necessity of combating terrorism, and similarly, the new charter

of the OIC. Moreover, the member states have contributed in formulating the UN Global Counter-Terrorism Strategy in 2006, which included holding a joint international conference on terrorism in Tunisia in coordination with the Islamic Educational, Scientific and Cultural Organization (ISESCO) in November 2007.

Q: You recently announced an agreement between the OIC and the US to reinforce joint efforts between the two parties. What does the OIC expect from this cooperation and what can Washington offer the OIC?

When Secretary of State Hillary Clinton visited the OIC headquarters in Jeddah in February 2010, we held important talks on political conflicts in the Islamic world and the situation in the Middle East. We seek in our

relationship with the US to start a new era of constructive and fruitful dialogue between the West and the Islamic world. Perhaps the most prominent need by the Islamic world and the West is to rebuild mutual confidence.

Q: How does the OIC see the US-Iranian issue?

The OIC is following anxiously the international development on the Iranian nuclear file and its dangerous effects on the security and stability of the region. We reiterate the right of all countries, including Iran, to have access to the peaceful use of nuclear energy. We call upon all parties to avoid further escalation and to return to negotiations in order to solve the issue peacefully.

Q: How does the OIC see US military intervention in Afghanistan?

Military action is not a sustainable solution for Afghanistan. There is a need to adopt a comprehensive approach that incorporates the cultural, economic and social aspects of the conflict. The OIC has been active in contributing to the economic and social development and in the reconciliation of Afghanistan.

We have taken significant steps to help the Afghan people by providing humanitarian aid, especially in the health and education sectors. We have supplied Afghan refugees and the internally displaced with potable water. We have contributed to the international efforts of reconstruction.

Q: What has been the impact of King Abdullah Bin Abdul-

Aziz on the OIC, considering that your headquarters is located in Jeddah?

I would seize this opportunity to refer to the kingdom's support of the OIC, its interest in bringing the Muslim community together, and its strong support of Muslim nations. The organization is witnessing a golden era under the auspices of King Abdullah and his good government. His support was reflected in his noble initiative in the historic Mecca summit in 2005. The summit approved the Ten-Year Program of Action that has become a beacon for economic and social development, and scientific and technological progress, in addition to his efforts in establishing Islamic solidarity.

Q: Your election as the OIC secretary general for the first time brought optimism for those seeking democracy and reform, but it seems that the wave of democracy has faded since then?

I think it was right to be optimistic, and many reforms have been implemented since. The new charter reflects these objectives with its provisions calling on member states to "promote good governance, democracy, human rights, fundamental freedoms and rule of law." The organization has also established a human rights agency on the level of the member states, and its statute will be endorsed in the next ministerial meeting. In addition, the OIC affirms the concept of elections and its mechanism in our process of decision making. We ensure that the election of the secretary general is not subject to influence from his home country. We have also

been successful in applying transparency measures to the finances of the organization, which have increased the countries' confidence and support of the OIC.

Q: When you were first elected there were hopes that, as the first Turkish secretary general, the OIC would witness a modernization. Has this occurred?

In the framework of modernization, the OIC has worked hard recently to launch new departments and activities, such as the humanitarian department, which opens the door for humanitarian aid, relief and development. We have also increased the rate of trade among member states from 14 percent to more than 16 percent in 2008, and expanded trade through the trade preferential agreement. We have encouraged scientific research, and have established in the cultural department the Islamophobia Observatory, which monitors violations against Muslims and Muslim symbols, as well as the Cairo-based women's council, among other programs.

Q: How has your position as the head of the OIC affected Turkey's role as a major regional member state? Some accuse you of representing the official Turkish vision, do you agree?

I represent the consensus of the member states, and no secretary general can take action without this consensus represented in the resolutions issued by Islamic summits and ministerial meetings. In other words, all the organization's activities must come in accordance with the resolutions taken by the

member states in their regular meetings. As for the Turkish role you mentioned, it has come as a result of its bilateral ties with neighboring and member countries.

Q: You were unanimously re-elected as the OIC secretary general, how do you account for this support?

I was elected according to the old charter in 2005 for four years, and my first term ended in 2008. For the first time in the OIC, the summit, not the council of foreign ministers, has re-elected me for a second term, unanimously. I feel very honored by the words of Prince Saud Al-Faisal said on behalf of King Abdullah Bin Abdul-Aziz at the Dakar summit. He praised me when he supported my re-election for a second term saying, "If Turkey—nation, people, and civilization—has gifted the OIC with Ekmeleddin İhsanoğlu, this righteous son, when we were in a dire need for his vision and leadership, the Kingdom of Saudi Arabia calls on the blessed gathering on this blessed day of this blessed month to make this gift available for the Islamic nation by approving his re-election for a second term. Thus, we can resume the implementation of the plan of action set out by the extraordinary Mecca summit and the reforms that we have started in order to make the joint Islamic action stand against the challenges facing our Islamic nation in the 21st century." In the same speech, Prince Saud Al-Faisal said, "I would not preview the achievements of this man, Ekmeleddin İhsanoğlu, throughout the past three years, because they are uncountable, but it is necessary to refer to his role in the Ten-Year Program of Action, which the OIC and our nation should truly be proud of." (Quoted from Prince Saud Al-Faisal's speech at the Dakar summit). □



The Quest for Talent

By Julian Gardner *

One of the main challenges for the Gulf region in the near future will be how to continue to attract skilled workers. The emergence of the BRICs economies has not only restricted the supply of skilled labour (as many potential migrants decide to stay home), but it has also increased the international competition for skilled labour. A clear solution to this conundrum lies in the restructuring of payment packages offered to expatriate workers in the region.

The Middle East has emerged from the recent global economic crisis in better shape than most other regions. It successfully maintained positive economic output throughout the crisis (driven mainly by oil exports), and is expected to sustain

even higher growth in 2010. Despite this relatively positive performance, the recession and the subsequent recovery have highlighted the region's ongoing struggle to attract and retain global talent. Historically, the region has focused on attracting two types of foreign employees:

Western and Eastern expatriates. As a general rule, Western expatriates migrate from the US and Europe attracted by high salaries, low (or no) taxes and the payment of expenses such as schooling and flights. They typically arrive and depart on a three to five year cycle. Eastern

expatriates from countries such as India, on the other hand, are typically drawn by a far more basic package, but one that is still substantially more advantageous than what they could earn at home. This simple but hitherto efficient model has been put under growing pressure in recent years by the rapid emergence of the BRICs economies and the consequent rise in the competition for global talent. Traditional employee feeder countries, such as India, have seen their economies blossom, leading to an expansion of the domestic demand for skilled labour and higher salaries. In this context, the appeal of the GCC model has in many cases faded relative to the option of remaining at home. Furthermore, the discovery of more oil in Brazil is also bound to increase the worldwide demand for oil industry skilled workers, a segment of the global labour market in which the GCC is heavily reliant. But why is the loss of these expatriate employees a problem? The numbers alone are staggering: around 87 percent of employees in the UAE are foreigners, 69 percent in Kuwait and 51 percent in Bahrain. Only in Oman and Saudi Arabia do local workers exceed the number of expatriates in the labour force. In this context, and in an economy looking to grow on a long-term basis, a reduction in the skilled workforce could be disastrous. The solution to this issue can be broken down into two key elements: how the Gulf region can continue to attract talent, and, once this is achieved, how the region can retain it. Even if traditional elements such as pay and allowances still play an important role in attracting talent, in an increasingly global labour market, the GCC can no longer expect to differentiate itself from its competitors by these sole means. One of the key strategies rapidly gaining acceptance in the region is the move from a short term to a longer term (or even permanent) employment plan, where the central factor of appeal to an employee is the prospect of a successful career path. In practice, this



approach requires a number of changes to the structure of employment packages proposed by employers. Firstly, companies should move from activity-specific allowances (such as school fees) towards a more "Western" flexible benefits model where employees select how and where pooled allowances are allocated. Secondly, RBC Corporate Employee & Executive Services (RBC cees) and other industry providers have seen a dramatic increase in the demand for longer term benefits such as retirement plans. While according to the Mercer 2008 GCC Benefits Survey only 8 percent of UAE companies offered retirement plans to employees, the same survey in 2009 shows that not only did these figures reach 30 percent, but also that 65 percent of UAE companies were seriously considering the introduction of such plans. Until now, the typical nature of these plans has been what is called "Defined Contribution" plans, in which employees are given a range of investment options, and often the ability to make personal contributions. Notwithstanding the clear strategic benefits that longer employment focus could bring to the region, this approach is not without problems. As highlighted by the

recent economic crisis, longer term employment focus could significantly increase End-of-Service-Payments in case of mass redundancies. Recent crisis-related lay-offs in the region have epitomized the cash flow issues that can arise when gratuity liabilities are left unfunded. As longer term employment is set to increase, turnover rates fall, and salaries rise, this type of liability is only bound to spiral. According to Towers Watson's End of service benefit liabilities in the GCC 2009 survey, in Saudi Arabia alone such liabilities could jump from \$7 billion today to \$40 billion by 2020. Funding is therefore necessary if this strategy is to pay off in the long-run. Given that the recruitment and training costs for an employee are a substantial investment, it is in every company's best interest to retain a newly recruited talent. To achieve this there are two different approaches which are often used in tandem: the alignment of executive remuneration on performance, and the use of deferred compensation. The move towards performance-based compensation schemes is evident from the increased share of bonuses in total compensation packages. In the American and European

financial services industries, allocated bonuses are typically deferred as part of the initial contract. The bonus may either be invested for the employee in company shares, or the employee may be given investment control. Generally, bonuses are tied up for three years, with the employee forfeiting it if they leave within the period. After a few years bonuses will roll on an annual basis, but there will always be the incentive to the employee to stay for the next vesting, year on year. Such a scheme could considerably increase the ability of the region to retain skilled workers. To conclude, although the points discussed here form the "human capital" planning basis to recruit and retain talent, another key element to increase the competitiveness of the Gulf region in world labour markets is the corporate governance practices of the companies themselves. To compete on the global stage the GCC must continue to adopt formal and transparent policies for remuneration as this will act as a beacon of credibility in a competitive market. But this is another story. ✓

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Traders in crude oil and natural gas options work on the floor of the New York Mercantile Exchange on August 4, 2010 in New York City. Following the release of a government report showing that fuel inventories are rising, crude futures fell Wednesday to \$82.25 a barrel on the New York Mercantile Exchange. Spencer Platt/Getty Images/AFP

Two Roads To Our Financial Catastrophe

Benjamin M. Friedman

"How Markets Fail: The Logic of Economic Calamities," by John Cassidy. Farrar, Straus and Giroux, 390 pages, \$28.

"I.O.U.: Why Everyone Owes Everyone and No One Can Pay," by John Lanchester. Simon and Schuster, 260 pages, \$25.

One inescapable principle highlighted by the current financial crisis in the United States is that a democracy gets the regulation it chooses. If voters elect public officials who do not believe in regulation, and if those officials appoint people of like mind to lead the key agencies that make up the nation's regulatory apparatus,

then there will not be effective regulation no matter what the prevailing statutes say.

A further lesson of the crisis, which makes this basic principle of democratic governance crucially important, is that self-regulation by private firms – what many of the opponents of government regulation from Alan Greenspan on down were

counting on to take its place – is insufficient to meet the challenges presented by today's complex financial markets. Two hundred years ago, when the English economist Henry Thornton was setting forth the fundamental principles of central banking, all London banks other than the Bank of England had to be partnerships in which each

partner was legally responsible for the bank's obligations; no other "joint stock banks" were permitted. (Further, the maximum number of partners was six.)

Today's financial firms are limited-liability corporations owned by what are often widely dispersed stockholders. And these firms, whose chief economic function is to provide capital to households and nonfinancial businesses, are themselves highly dependent on competitive securities markets to raise their own capital. When the crisis hit, the typical leverage of a large U.S. commercial bank (the ratio of its debts and other liabilities to its stockholders' equity) was 12 or 15 to one. At the large investment banks, leverage was more like 25 or 30 to one.

The combination of limited liability, widely dispersed stock ownership, and high leverage turns out to be fundamentally subversive of market self-regulation. With limited liability, even if stockholders manage the firm directly – even if the firm has only one owner who manages it himself – the incentive to take excessive risk is already present. The bigger the bet, the more stockholders stand to gain if the coin comes up heads. If the bet goes wrong, once the stockholders' equity is gone, bigger losses accrue only to whoever holds the firm's debts or other liabilities (or to the taxpayer, if the government comes to the rescue).

Widely dispersed stock ownership, which is also typical of most large U.S. corporations today, compounds the problem. The traditional notion of corporate governance exercised by a board of directors, acting in the interests of the stockholders, has long been a fiction for many firms. But many fictions are useful ones. No one should be surprised that the primary concern for most corporate executives is how well they do – their job security, their pay, their perks, their prestige – not how well the stockholders do. If, however, what benefits the managers and what



A trader writes an order on March 30, 2010 on the floor of the New York Stock Exchange just before the closing bell. US stocks edged higher in early trade August 4, 2010 after stronger-than-expected figures on private job creation lifted the mood on Wall Street. The Dow Jones Industrial Average rose 8.56 points (0.08 percent) to 10,644.48 in opening trades. AFP PHOTO/Stan HONDA

benefits the stockholders are sufficiently similar, the difference doesn't matter much.

The current crisis has helped demonstrate the extent to which this particular fiction has ceased to be useful. With an ever greater fraction of many corporations' stock held by owners who are either small in scale or passive in their approach, shareowners have become in management's eyes merely another source of funding: like the firm's bondholders, but perhaps more of a nuisance. Most managements are open about saying that any shareowner who doesn't like what the company is doing should shut up and sell the shares to someone else.

Limited liability and dispersed ownership therefore create two distinct and reinforcing layers of the problem that Louis Brandeis (taking a phrase from Adam Smith), nearly a century ago, famously labeled "other people's money." Today, with leverage so high, our financial institutions have been using a lot of other people's money. Even without counting the possibility of taxpayer rescues, most of what is at risk belongs

neither to the stockholders nor to the executives.

The key question, then, is why the depositors, bondholders and other creditors who are bearing so much of these firms' risk are willing to go ahead and lend them the money. For most small-scale depositors, at least in the United States in modern times, the answer is simple. With the FDIC insuring accounts up to \$100,000 apiece (\$250,000 since October 2008), why should a depositor exercise much vigilance over a bank's soundness? The only remaining plausible private-sector constraint on the eagerness of bank managements to take risks, therefore, is the large-scale depositor or creditor or bondholder. Indeed, it's to this group that Greenspan and others who thought market self-regulation would do the job were looking. As he put it as recently as May 2005:

In essence, prudential regulation is supplied by the market through counterparty evaluation and monitoring

rather than by authorities. Private regulation generally has proved far better at constraining excessive risk-taking than has government regulation.

But it isn't hard to come up with reasons why market self-regulation by creditors might not be effective either. Many of those creditors buying the banks' bonds and other liabilities are themselves limited-liability corporations subject to all of the same tensions between what's good for their management and what's good for their stockholders (or, if they're insurance companies, their policyholders). They too – even if they are pension plans run by state and local governments – are operating with "other people's money." And they too might be relying on a government bailout in case of trouble.

As if all this weren't enough, two more specific developments of recent years have rendered the US financial system even more vulnerable. First, the distinction

The current crisis has helped demonstrate the extent to which this particular fiction has ceased to be useful.

between banking and trading in securities mostly disappeared. This was not simply a consequence of the formal repeal in 1999 of what remained of the Depression-era Glass-Steagall separation of the two functions, a separation that had largely eroded long before. Most of the large commercial banks, facing the need to raise their own capital in competitive securities markets, relied increasingly on profits from trading activities and related fees, in effect turning themselves into hedge funds; that is, they increasingly engaged in betting on market movements and in distributing securities, rather than traditional lending and deposit-taking. (Otherwise, they would have had little reason to retain shares of the mortgage-backed securities for which they earned fees from packaging and selling).

The philosophy seems to be that one cannot operate a bank without having a hedge fund attached. The phenomenon was not limited to banks and insurance companies. Some years ago my employer, Harvard University, decided to become a university with a hedge fund attached. Or maybe the idea was to be a hedge fund with a university attached. Either way, the project came to a bad end. To paraphrase Nixon on the Keynesians, we're all hedge funds now.

Second, the market for financial derivatives outgrew its original function of enabling financial institutions and other investors to hedge risks that they already bore. Instead, derivatives increasingly provided vehicles for banks, insurance companies, and other financial institutions to take on new, unrelated risks. Here the aim was either to earn trading profits by speculating on changes in the market price of those risks or simply to generate yet another form of

fee income. As a result, many of the risks to which financial institutions became exposed bore little or no connection to their basic economic function of providing capital to either individuals or businesses. The risks they bore were increasingly unrelated to their role in financing economic activity, but were merely bets on one side or the other of a zero-sum game. Further, the derivatives market was operating outside the scope of regulation even as a formal matter – i.e., not only were regulations not enforced, but they didn't even exist for some of these products.

With so many reasons for the likely failure of market self-regulation readily apparent, including failure of Greenspan's hypothetical regulation by creditors, the gnawing question is why the U.S. did nothing about it. If it's true that our democracy got the regulation it chose, why in the world did we make that unfortunate choice?

Two recent books, while offering almost identical narratives of this sad history, suggest sharply different answers. To John Cassidy, a fine journalist with a long-standing interest in economic and financial matters, the explanation is intellectual: the increasingly dogmatic and unquestioning belief, on a priori grounds, in the efficiency – indeed, the rightness – of free markets and the outcomes they produce. In "How Markets Fail," Cassidy therefore echoes the view of economists George Akerlof and Robert Shiller, in their recent book *Animal Spirits*, which argued that economists systematically failed to take account of "irrational" influences that affect economic behavior.

Far more than Akerlof and Shiller, however, Cassidy is interested in the people behind what he calls "the triumph of utopian economics," and how their ideas came to be so dominant. As he rightly points out, "the notion of financial markets as rational and self-correcting mechanisms is an invention of the last 40 years."

Such advocates of market

efficiency as the Austrian economist Friedrich von Hayek, the University of Chicago's Milton Friedman, and contemporary economists like Eugene Fama and Robert Lucas (both also at Chicago) all receive careful attention. So do the political figures who championed their ideas, most prominently Ronald Reagan and Margaret Thatcher. Alan Greenspan, with his bizarre devotion to the Russian-born ideologue Ayn Rand, stands out as the chief villain in Cassidy's telling, guilty of not just flawed ideas and sinister influence but "much prevarication" as well.

Cassidy contrasts the "utopian economics" that each of these people helped to propagate with "reality-based economics," which suffers not only from the inevitable intellectual messiness that comes with attempts to analyze the world as it is, but also from failing to line up with the interests of the economy's self-aggrandizing elites. The centerpiece of Cassidy's analysis of the difference between these two economic worldviews is the prevalence and potentially damaging consequences of what he calls "rational irrationality" – a situation in which each influential actor does only what makes perfect sense from an individual perspective, but the combined effect of everyone's acting in this way leads to outcomes that make sense for no one.

In effect, Cassidy is pointing to problems of collective action. Individuals, acting purely on their own, can't arrive at outcomes that they would all prefer if they had ways of sharing information, making joint decisions, and coordinating their actions. The problem is a classic staple of economic analysis, and there are numerous familiar examples, many from settings far afield from the financial world that

is Cassidy's focus. Mindful of the harm done by what comes out of an automobile's exhaust pipe, most medium- and high-income countries do not leave it to each car owner whether to install a catalytic converter in the exhaust system. Nor do most cities allow individual families to dump their garbage wherever they find it most convenient to do so.

As these examples suggest (and so does the very name), the solution to most collective action problems is some kind of public intervention. Indeed, that's what most theories of government, from Hobbes to Adam Smith, are all about. The issue that Cassidy drives home is the need – contrary to the Reagan-Thatcher-Greenspan ideology – for government intervention in modern financial markets. Again and again, he shows that either individual firms or their executives were doing what it made sense for them to do, given the situation in which they found themselves. What was wrong was the market setting in which they were operating. Because no individual executive or firm can change the market environment, it's up to public policy to do the job.

In its shortest form, the scandal has been the extensive looting of the savings and loan associations, the looting being effectively that of government-supplied money. The total take is not yet known; it will certainly be upward of \$200 billion, maybe much more, or several thousand dollars for every tax-paying American family. The golden misadventures of Gen. and President Ulysses S. Grant and the greatly celebrated Teapot Dome peculations of Harry F. Sinclair and Albert B. Fall, duly adjusted for changing currency values, are microscopic in comparison. So, too, are the more recent and better publicized activities under the aegis of

Jobseekers pass their resumes to representatives from Foxconn at a job fair in Zhengzhou, Henan province August 5, 2010. Taiwan's Hon Hai Precision Industry Co Ltd, also known as Foxconn Technology Group, opened a new \$100 million production factory in the central Chinese province of Henan, which has a production capacity of 200,000 handsets per day and nearly 200,000 employees. REUTERS/Donald Chan



It is always possible that with the spread of electronic technology, profit margins in deposit-taking and lending, have been so shrunken by competition that the traditional banking business is no longer viable without a subsidy, and that profits from an affiliated trading operation (or what amounts to one) are the most obvious way of providing that subsidy.

underwriting – and ordinary banking, insurance, and other financial service businesses. Known as the "Volcker Rule," this idea too is a good one. There is little evidence that there is added value from combining, on the one hand, this kind of stand-alone risk-taking and, on the other, functions such as deposit-taking, lending, underwriting, or insurance.

It is always possible that with the spread of electronic technology, profit margins in deposit-taking and lending, for example, have been so shrunken by competition that the traditional banking business is no longer viable without a subsidy, and that profits from an affiliated trading operation (or what amounts to one) are the most obvious way of providing that subsidy. Such a model is clearly not sustainable, however. (Why would successful traders want to divert their profits to subsidizing a traditional banking business – or anything else for that matter?) Further, as the crisis has shown, it is not clear that taking on risky positions to

increase potential returns is reliably profitable. And when losses from risk-bearing accrue to banks in particular, the outcome imposes costs on the economy, and probably the case that ordinary lending and deposit taking are not sustainable businesses without a subsidy, the more plausible remedy would be some kind of public utility model; but the need for a subsidy in the first place is far from demonstrated.

With "utopian economics" now thoroughly discredited, therefore, a reader of Cassidy's book would infer that some combination of these proposals for regulation of trading and separation of functions – better yet, all of them – will be adopted. If that happens, the US financial markets will be less prone to the kind of crisis we have just seen, and the US economy and taxpayers less exposed to the kind of losses that they have just suffered.

But if Lanchester is right – if the underlying force at work is the mindset resulting from the triumphant emergence of Western-style finance

capitalism as the only credible way to organize economic activity – then prospects for meaningful reforms anytime soon are surely limited. As Lanchester puts it, "The rich are always listened to more than the poor, but that's now especially true since, with the end of the Cold War, there is so much less political capital in the idea of equality and fairness." The banks and their shareholders may have taken big losses in the crisis, but the bankers (Lanchester calls them "banksters") mostly made out pretty well, thanks in large part to taxpayer assistance. We now have what Cassidy calls "socialism in our time" – but only for the bankers: "It is a form of crony capitalism." Why would they want the system to change? Lanchester holds out some hope that democratic action can reform the system, but readers of his book cannot help but be skeptical.

Let us all hope it is Cassidy who is right. ☑

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the solution to most collective action problems is some kind of public intervention. Indeed, that's what most theories of government, from Hobbes to Adam Smith, are all about.



Interview with French Cultural Attaché Daniel Ollivier

France Seeks to Boost Education Ties

When French President Nicolas Sarkozy visited Saudi Arabia in 2008 and met Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz, two agreements were signed – one for higher education, and the other for technical training. The aim of the agreements was to improve the exchange of students at the PhD and technical education levels.

This is proof of the confidence enjoyed between the two countries and the interest on the part of Saudi Arabia to send students to France, and on the part of France, to welcome Saudi students,” French Cultural and Cooperation Attaché Daniel Ollivier said in an interview with Diplomat.

The target set was for 500 new Saudi students coming to France every year. “This is a lot. We have not reached this target right now, but we receive over 200 students every year. This is quite a challenge and bears testimony to the excellent relationship we have with this country,” he said.

Excerpts from the interview:

What is your assessment of Saudi-French relationship?

I do not belong to the political section. I can only speak on this topic from the perspective of my area of activity – which is, cooperation. But relationship and cooperation are always dependent on political relations. From what I see from my position, the relations between the two countries are excellent with strong cooperation existing in various fields.

What are your comments on the cultural scene in Saudi

Arabia?

The cultural area is very vast. It is definitely extremely rich here and changing in a good way. The authorities in this country know what point they want to reach, but at the same time, are cautious and are doing things at their own pace.

What about Saudi heritage?

This country has a very rich heritage and a tremendous patrimony that was not valued enough before. With the creation of the Supreme Commission for Tourism and Antiquities, there has been a big change and tremendous progress has been made in this regard.

The rich heritage of the country is now being gradually discovered and highlighted. As a matter of fact, a lot of excavations are taking place, and three French archaeology missions are working with Saudi teams in the Kingdom – one is working in Mada’in Saleh, one in Kilwa, and the third in Najran. They are all excited about the potential discoveries and are expecting to be successful in their mission. It is a great honor for us that the authorities accepted the teams, coming from the best universities in France, to contribute towards projecting the rich heritage of Mada’in Saleh, which is not known much to the outside world. Though Petra belongs to the same civilization of Nabataeans, this site is different, and the geographical surroundings are unique.

In July this year, the Louvre Museum held a major exhibition with archaeological findings from Saudi Arabia. The exhibits go back to 6000 BC and down to 600 AD. Many of these objects are exhibited to the public for the first time. We are proud of the fact that the exhibition has opened at Louvre and that it is taking place in Paris. After that, it will travel to Barcelona and many other cities. It is important to show the rich heritage of Saudi Arabia because it is fairly unknown among the general public.

How was the fact that France

was chosen as the Guest of Honor of this year’s National Heritage and Folk Culture Festival perceived from the French side?

It was a great honor. This again stands testimony to the excellent relationship between the two countries and the respect each one has for the other.

What is it that grabbed your attention in Saudi Arabia?

From the political point of view, many things are happening in this part of the world. I now understand the geopolitical situation better than I did before. Living and working here enables you to learn a lot, and that is always rewarding.

When did you come to Saudi Arabia?

I took up my posting in Saudi Arabia in October 2007. Before that, I was director of the president’s office at the University Paris-Sorbonne in Paris. I helped with the negotiations for the opening of the Sorbonne in Abu Dhabi and moved there as assistant to the president of the new Sorbonne branch. That was my introduction to the Middle East and that was how I later came to Riyadh.

How did you come about taking up a diplomatic career – by choice or by chance?

It is a little bit of everything because I am not a career diplomat. Although on

deputation to the Ministry of Foreign Affairs, I still belong to the Ministry of Higher Education. I was trained as a teacher and taught English at high school, then linguistics at the university level. After years of teaching, I entered the cultural services of the French Foreign Service. My first position as a cultural attaché came into the field by chance.

From the beginning, my interest in international relations, in foreign countries, in other people and other cultures was very strong. That is probably why I decided to study English language, literature and linguistics. That is also why I studied in the United States and then taught there. I spent a lot of time outside of France before joining the Foreign Service, but since I was posted as cultural attaché in Chicago, I never stopped working in that field.

Are the interests which you have developed, the required qualities for a diplomat to be successful?

It is difficult to say that. But you should definitely have a strong interest in other people as well as other cultures; otherwise you should immediately change your job!

As a matter of fact, I am asked, as a cultural attaché, to promote my country and culture. In cultural sections, we not only deal with culture, but have cooperation programs with the ministries of justice, environment, education, culture and

information. So, if you really want to promote your own culture, you have to develop an interest in the country where you live. If you just want to “paste” your culture without looking where you are pasting it, you are very likely to fail because it will remain as a kind of foreign body. The idea is to mix and establish some kind of a bridge between your culture and that of the host country. There are elements that we bring in, but there are also a lot of things that we can learn. Showing interest in foreign languages is also not less important. I am amazed by the population here – all the people I have come across speak very good English, much better than I would ever speak Arabic.

What is the most difficult situation you have ever faced as a diplomat?

Coming to Saudi Arabia was different as it was the first time I was being posted to a country where I did not speak the local language. And the culture, too, was very different. I have always been posted before in Western countries where the culture was not that different. So, that was my most difficult task compared to the cultural setting in my other postings – Chicago, Prague or Buenos Aires, which incidentally, is called the “Paris” of South America.

A real adaptation was needed in that sense. At the same time, it was a very interesting and an enriching challenge. I am very happy now and have taken the necessary steps. ☑



Roads to Arabia: A Walk through History

By Iman Kurdi

It was a fascinating journey, a real walk through history. At first it felt incongruous, even almost disorientating, to find myself in Paris, out of the sun and the noise, and into the silent sumptuous coolness of the Louvre, looking not at the Western art I am used to seeing in that setting, but at the history of my own people. I

was quite literally transported, both through history and to my own memories. I have just visited les Routes d'Arabie, the newly opened exhibition at the Louvre Museum in Paris.

It is a beautifully curated exhibition. I have seen some of the artifacts presented here before but never pieced together in such a coherent way. There are over 300 pieces,

each meticulously presented and ordered, starting off way back in prehistoric times and finishing almost in present day, or at least in present memory, with the creation of the Saudi Kingdom.

All along the trade routes of antiquity and later the pilgrimage routes, oases became stopping points and developed into thriving



centers. Water from deep wells enabled irrigation for agriculture, gardens and thousands of date palms. In the midst of the arid landscape existed small centers of intense cultural activity.

We sometimes make the mistake of thinking that civilization in Arabia started with the revelation of Islam. It is convenient to forget that the land chosen for the message of Islam was one already rich in history and a cultural melting pot. The Arabian Peninsula has been crisscrossed by caravans since the beginning of time. Indeed the exhibition takes as its title "Roads to Arabia" and traces the history not only of the ancient cities created by these routes and the lives of those who lived within their walls, but also of the influences of those who passed onto

those who stayed. Ancient Arabia was a land of constant migrations. This crossroads of civilizations created both prosperity and a rich cultural heritage.

On entering, I am greeted by a man from the Bronze Age. His face is sad. He stands very straight with his arms held across his body. He is carved in stone and the stone is a funerary steele.

What remains when we are gone? I am struck by mankind's need to leave evidence of our existence, to mark a death so that an individual may be remembered for posterity. At a time before the written word, before photos, videos and all the technology we now use to document our lives, men resorted to erecting stones in the desert and carving



their likeness on them. The sculptures are primitive and yet there is enough detail for us to imagine their faces, their dress, their stature and even to piece together their beliefs and their way of life through

the symbols they use in their carvings.

Indeed death permeates the exhibition. Much of the material comes from burial sites, whether it is gravestones or objects found in burial



chambers. You will find, for instance, the jewels and adornments found in the grave of a young girl unearthed in Thaj. The grave was almost intact on its discovery. The girl was buried with gold jewels around her neck and wrists, a golden glove on one arm and a gold death mask over her face. The opulence of these adornments is dazzling.

Or I find myself staring at the intricate detail of the decorations of a vase that dates back to a thousand years BC. The vase was found in a tomb in Tayma. It is intact and yet is more than two thousand years old!

There are ceramic fragments as well as whole vases and urns that have come from Mesopotamia, Persia, the Indus, Hadramaut, Syria...

There are silver ladels and sieves that must have been used to drink out of urns at banquets. There are incense burners testifying to the importance both of burning incense as a ritual and of the enduring influence of the incense routes that once traversed the country.

I stood in awe at the giant statues of kings of Lihyan. They are wide chested and muscular and have facial features that struck me as eerily familiar. But where were the women, I wondered?

Looking at gravestones from the Ma'la cemetery in Makkah I was touched by the beauty of the calligraphy. Once again men dominate. When it is the grave of a woman she is not mentioned by name but by her male lineage, as is the

tradition. And so I thought of my own lineage. I know the male line and yet the line that connects me to this land is largely female. My great-great grandfather came to Madinah from Diyarbakir — making my family one of the many in Madinah with roots outside the peninsula. But he married a local woman and his son also married a local woman, through their bloodlines my ancestry is anchored in beloved and blessed Madinah.

The exhibition sent me back into the past. I tried to imagine the lives of the women whose blood runs in my veins. I also remembered a beautiful voyage when once a bus picked us up at dawn from Madinah and drove us to Al-Ula, Tayma and Madain Saleh. My father had organized the trip and invited along any member of the family who wished to take part. Walking through Madain Saleh in the late afternoon sun is one of the most enduring memories of my youth. The place was both mysterious and mystical. There were no tourists and this was before the archaeological digs began. It was vast and abandoned, sad, sobering and imposing all at once. Who were the people who had lived in this land? Why had they all died, I wanted to know? Why was it now abandoned when it was once such a thriving center? The exhibition answered some of these questions all of those years later.

As we left the museum my brother remarked that museums are wonderful at bringing together artifacts but they cannot provide a narrative. As I watched the other people leaving the exhibition, I wondered what narrative they gave to what they had seen. Such exhibitions are wonderful not only for the artifacts museums so painstakingly restore and showcase but because they provide us with a lens into the past and through it into the present. How many knew that modern day Saudi Arabia has such a rich cultural heritage? ☑



Spoken from the Heart by Laura Bush

By Ghazal Saif

'Perhaps', writes Laura Bush in her unexpectedly straightforward yet clearly restrained memoir, 'diplomacy has changed little in thirteen centuries'. She says this after observing mosaics depicting rewards of friendship and the fate of enemies on the walls of a state receiving room of an 8th C palace in the Middle East.

Her book itself, in some sense, can be read as the official post-mortem of U.S. diplomacy in the Bush era. Most reviews of 'Spoken From The Heart' have halved the book into two ventricles:

A first more novelistic and candid section about the early life of George and Laura Bush and a second more journalistic half, enumerating conferences and causes of the White House.

Although this might be true, yet, if one looks a little longer at Laura Bush's memoir it becomes clear that the journey, much like the river Nile, has unmistakably a reverse flow to it. There is almost an unsaid sentence wrapping the soul of this book, saying *See! I was passionate about things before I became First Lady!*

For instance, she writes

about her childhood and a project on the 'exotic' Afghanistan, 'The Afghanistan I wrote about in 1957 was very different from the one the United States was confronting in 2001'. While interviewing a new secretary she says, 'I told her there was one thing I wanted to do above all else: I wanted to travel to Afghanistan'. Similarly, she also seems to have employed her childhood passion for books and her job as a teacher and a librarian to seek individuality from the shadow of her husband and spotlight of comparison to previous

First Ladies. She writes, 'there was, from the start, an underlying assumption on the part of the press that I would be someone else when I assumed the role of first lady, that I would not, under any circumstances, simply be myself. As I had done when George was sworn in as governor of Texas, I planned an event to celebrate authors. This was to be my "first lady" inaugural party.' After having planned Book Festivals and Festivals in the Library of Congress she writes, 'Not quite nine months after George took office, I was now doing what I loved, finding my place in the world of Washington and beyond'. This remains a constant theme throughout the book. Towards the end she writes, 'By May 2005, the Laura Bush Foundation had given grants to 428 school libraries nationwide'. Beyond this unsaid statement about Laura Bush, the person behind the First Lady, there is a whole gamut of things she talks about starting with her personal life.

Born in 1946, the only child of Harold Welch, a

hardworking, house building, gun hating, ex-GI, who often smelt of 'strong coffee and unfiltered cigarette' and Jenna Welch, who spent her days with a 'broom and a wet rag', kept books of husband Harold's business, a passionate bird-watcher who 'loved to read' and with whom Laura shares her progressive myopia. This was her Daddy and Mother, both were registered Democrats and people who 'loved to laugh' in the city of Midlands, Texas, where she grew up.

She talks about the trauma

of a being the only child and losing three siblings to early death; of accidentally killing a friend, Mike Douglas, in a car crash at the age of 17; of George losing a sister to leukaemia; of fearing death of Jenna and Barbara owing to premature birth; of her crippled father losing all memory and of her mother's cancer. While writing about personal strives, she says, 'Life's largest truth is that everyone faces tragedy'.

After her marriage to George Bush, apart from her not getting along with



There are passages about how she had to learn the role and duties of a First Lady and how she was expected to master all the points of protocol to the dot.

her mother-in-law initially, the themes become more political and public. Hitting the campaign right after her marriage resulted in Bush winning the gubernatorial seat in Texas. After swearing never to make a public speech, she ends up giving them for years and being present at every Republican Convention for over the twenty-four years.

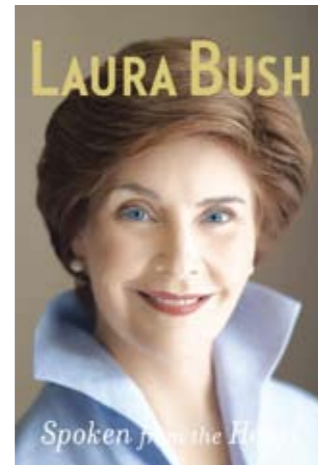
She writes extensively too about the person behind the president. A man who had come to come to Midland to 'work in the oil industry' and who although worked in oil 'dreamed in baseball'; who is 'boisterous'; loves 'being a dad' and changed his twin girl's diapers when they were young; is an 'incredibly disciplined athlete' and almost 'never gets sick'; the biggest 'homebody known to man'; who just like other sons followed his father into his profession; who wanted his Oval Office to say, 'An optimistic man works here' and who has an 'intuitive grasp of politics, not just the people aspect of it but the numbers, the vote totals that a candidate needed in each part of the district to win.' She concludes as a loyal wife asserting, George and I are, 'symbiotic souls'.

Then there are passages about how she had to learn the role and duties of a First Lady and how she was expected to master all the points of protocol to the dot. She recalls, as if almost from a textbook, 'Queen Elizabeth of England and King Abdullah of Saudi Arabia are both "Your

Majesty," but the legion of crown princes and princesses around the world are called "Your Highness.' She also points out how a presidential calendar is 'governed by summitry', enumerating, 'NATO summits; Summits of the Americas; Asia-Pacific Economic Cooperation summits; G8 meeting and the United States-European Union summits' etc. Apart from these, there are descriptions of how for eight years these first diplomats of the United States undertook, 'visits to call on allies, to build relationships with other leaders, pass in and out of a country in a day and be expected to arrive looking perfectly rested'. At the end of these two terms the Bushes had hosted around fifteen hundred social events and Laura Bush had travelled over seventy-five countries.

She goes into some detail about some world leaders. She writes how Cherie Blair is, 'funny and smart' and how Cherie grilled Bushie (George Bush) on issues of capital punishment and the U.S's participation in the International Criminal Court; how Tony Blair played a guitar on their ranch; how the Japanese leader Junichiro Koizumi, a close friend and an Elvis fan, 'got on stage' and played an Elvis hit; how Putin, a guest on their 16,000 acre ranch in Crawford asked their friend Alice, owner of an 825,000 acre ranch about its area, 'in Texas it's considered a real faux pas to ask someone how big their ranch is!'. She

Other topics that populate this memoir in many sections are 9/11; the war in Afghanistan and Iraq; Hurricane Katrina and causes of the president and First Lady.



talks about how a diplomatic faux pas is not a seldom event in the White House. Besides national events, where once a member of Congress came up to her and said, 'My wife and her friends think you wear a wig', these blunders occur in the presence of foreign leaders as well. She marks, 'once we were told that the president of South Korea adored bowling... we had a beautiful custom-made bowling ball inscribed with the U.S. and South Korean flags.. the president opened the gift and had no idea what it was.. must have looked to him like some kind of lethal paperweight'.

Other topics that populate this memoir in many sections are 9/11; the war in Afghanistan and Iraq; Hurricane Katrina and causes of the president and First Lady. There is mention of causes like the President's Malaria Initiative, which 'helped to cut infection rates in Zanzibar from 45,000 cases to near zero in a mere four years'. Similarly, there are causes like the U.S-Middle East Partnership for Breast Cancer Awareness, programs which are a 'key component of health diplomacy'. She talks about her meetings with cancer parents in Saudi Arabia and how health diplomacy

is a more personal platform of interaction. She writes, 'a cancer survivor asked me what I thought of Saudi women. I told her the truth, that at first I had found it disconcerting to sit with women who were covered, that the covers seemed like barriers between us, closing them off from me, and that I had expected it would be difficult to talk to them, but I was wrong. It was surprisingly easy to talk about such an intimate subject as breast cancer. A woman held up a bit of her black *abaya* and said, "These covers may be black, but they're transparent," meaning that underneath we are all very much the same'.

Apart from these primary, sometimes candid, sometimes highly controlled narratives, there are many off the cuff moments in the book. Besides getting some basic facts wrong, like calling Dubai the 'largest emirate state'! (Page 397), she pulls some strong punches at the press as well at her husband's opponents. About the incoming president she writes, 'I wondered if Barack Obama, who spent far more time attacking George than he did his opponent, John McCain, would want to amend his words once he discovered the reality of the White House and was himself confronted by the challenges and crises that hit a president every day, all day'.

This memoir, which Lyric Winik helped Laura Bush put 'into words', ends like a fairy tale at their ranch. Bush's last address is scripted in Shakespearean tone, he refers to himself as, 'This guy who went to Sam Houston Elementary spent the night in Buckingham Palace', while his wife, the narrator of this memoir, almost in Disney fashion concludes, 'After nearly eight years of hypervigilance, of watching for the next danger or tragedy that might be coming, I could at last exhale; I could simply be.' ☑



Diana Al-Hadid
The Tower of Infinite Problems

Onwards and Upwards

By Maymanah Farhat

The art scene in the Gulf is experiencing somewhat of an explosion in creativity. And the emergence of the Middle East as a cultural hub is suddenly drawing the attention of Western art buffs. Two recent books published in London—Saatchi Gallery’s “Unveiled” and Saeb Einger’s “Art of the Middle East” bring contemporary Middle Eastern art to a Western audience. However, both titles are misleading as neither publication provides a comprehensive analysis. Unveiled exhibits a selective politicized representation of Middle Eastern art whilst the latter, although claiming to be an extensive survey, omits some of the Arab world’s most influential artists.

Over the past five years the world has begun looking to the Middle

East for contemporary art. The considerable rise in official arts funding and

the competitive building of national profiles by cultural sectors that are vying for the international spotlight have prompted notable developments in the Gulf, in such places as Dubai, Abu Dhabi, Sharjah and Doha. Amidst plans for the establishment of branches of the Louvre and Guggenheim museums in the UAE, blue-chip commercial galleries have also popped up, while auction house giants such as Christie’s have been shaping a

newly introduced art market since 2006. Although the emergence of the Gulf art scene has been both praised and criticized, one thing that can’t be debated is its immense impact on the rest of the region.

Leading cultural hubs such as Cairo and Beirut have had to reassess their positions, with artists and cultural practitioners seizing the opportunity to gain international support for their initiatives, and gallerists working diligently to lure foreign clients. Outstanding, long-established organizations and art spaces such as Lebanon’s Ashkal Alwan and Egypt’s Townhouse Gallery, which have shaped local contemporary art with cutting edge initiatives despite receiving little to no backing, are now regulars in the global art circuit. This growing attention has also benefited from the rising profiles of artists, namely those belonging to Lebanon’s “post-war” generation who

began working with new media in the mid 1990s and a small group of Palestinians in the diaspora who frequently work in the territories but are active in the Western art world.

With this momentum has come a wave of events and projects aimed at sustaining interest. First came the blockbuster exhibits, organized by colossal institutions such as the British Museum and the Museum of Modern Art in New York. Notwithstanding problematic curatorial approaches, these sought to serve as openings to prominent contemporary artists and art scenes. In the beginning, virtually every high-profile venue was organizing an exhibit or symposium that dealt with North Africa and West Asia. Now that the global art world has been saturated with exposure to Arab and Iranian artists the next step has been the publication of texts on the subject.

Somewhere within this



Laleh Khorramian
Some Comments on Empty and Full



Sara Rahbar
“Memories Without Recollection”

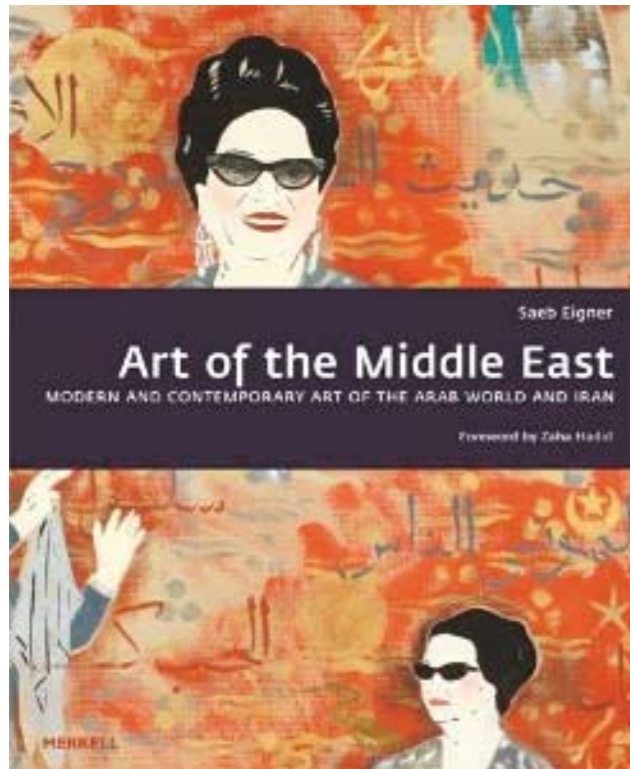
Unveiled offers stunning reproductions of paintings, installations and photographs by young, emerging artists who are mostly known in the UAE and have just begun attracting international art practitioners.

frenzied ascension of the region as a cultural hotspot, the idea that artists and cultural practitioners were working within a vacuum went from something that was mentioned in passing amongst overworked curators and nonprofit heads to an accepted truth that the international art world quickly latched onto, then twisted into the presumption that the region is lacking in art historical scholarship and art criticism in general.

Two texts that have surfaced within this context are Saatchi Gallery’s Unveiled: New Art From the Middle

East and Saeb Einger’s Art of the Middle East: Modern and Contemporary Art of the Arab World and Iran. Both produced in London, they reflect varying levels of engagement.

Unveiled: New Art From the Middle East, which accompanied an exhibition organized by the maverick London-based gallery, opens with an introduction by Lisa Farjam, the founder and editor in chief of the glossy arts and culture magazine Bidoun. Since its inception in 2004, the periodical has seen its fair share of fans and detractors, covering a select



Art of the Middle East
by Saeb Eigner

group of artists and events while carving out a niche for itself amidst the upper echelons of Emirati society. Farjam's contribution offers a quick, scant insight into the formation of modern and contemporary art scenes in the Arab world and Iran while attempting to shed light on how artists are debunking long-held stereotypes. The only form of writing that appears in the book, it is informative enough and fares well as a glimpse into the art scene for novices.

From Farjam's entry onward *Unveiled* offers stunning reproductions of paintings, installations and photographs by young, emerging artists who are mostly known in the UAE and have just begun attracting international art practitioners. Perhaps the most well known artist is Iranian Shadi Ghadirian, whose iconic works are at once quick-witted and stinging. Her "Like EveryDay Series" photographs of a chador-clad figure, whose face is hidden by ordinary objects such as a broom

or teakettle, have become synonymous with the Middle Eastern art scene and the feminist-oriented work that foreign curators salivate over. This does not take away from the brilliance of Ghadirian's images but rather points to a trend in the ways in which the global art world has been assessing these artists, the Saatchi Gallery included.

Flipping through the oversized catalog, it quickly becomes apparent that the prominent British art space sought to fulfill a particular curatorial slant—the featured works are dark, heavily influenced by prominent American and European artists such as Phillip Guston, Francis Bacon, Anselm Kiefer and Mona Hatoum, and are all overtly political. Several artists deal with sexual repression and gender issues, while the remaining address topics of war and political conflict. Although these subjects are frequently explored and are of the utmost importance, they also happen to be what the West has designated as exclusively representing the

region, acting as a ubiquitous cultural lens that is used to reinforce prevailing notions of the Arab world and Islam. Although Farjam is correct in insisting that the works of *Unveiled* "mark one step in moving beyond the magic of the fetish," the Saatchi Gallery's definition of "new art from the Middle East" seems to suggest otherwise.

Taking a different vantage point is philanthropist and businessman Saeb Eigner, whose *Art of the Middle East* reflects an interest that goes beyond sensationalism. With the assistance of a research team and the consultation of a number of artists, galleries and curators based in Beirut, Cairo, Tehran, Doha and Dubai, Eigner was able to put together a survey that includes over 200 artists and 450 images. This is unprecedented, and although impressive in its scope—from early modernists in Egypt such as Mahmoud Said (1897-1963) to budding contemporary Lebanese artists like Oussama Baalbaki (b. 1978)—there are significant gaps in the book's coverage.

Take for example the exclusion of such seminal figures as Palestinian painter Suleiman Mansour, Lebanese new media artist Lamia Joreige and Omani painter and conceptualist Hassan Meer. Not only have these three artists created work that has influenced subsequent generations, they have also been crucial to the development of their respective art scenes. Mansour co-founded the highly respected Al-Wasiti Art Center in the 1990s and now teaches at the International Academy of Art Palestine in the West Bank; Joreige has recently co-founded the acclaimed Beirut Art Center, and Meer has fostered the use of new media and installation work in the Gulf with his "Circle" art symposiums that have brought an exciting selection of artists to Muscat. Many in the diaspora have also been

overlooked, most notably Emily Jacir, who lives and works between New York and Ramallah and whose recent success has brought enormous attention to Palestinian art.

Further giving *Art of the Middle East* a disjointed feel is the book's organization of the artists it does include. Reading more like an extended version of the catalog that accompanied the British Museum's group exhibition "Word into Art" (2006), of which Eigner was a senior adviser, than a comprehensive survey, art works are divided according to sweeping topics such as the use of calligraphy and portraiture. This can be confusing for a reader that is unfamiliar with those that are featured and does a disservice to the chronicling of Middle Eastern art in general, as it limits our understanding of significant careers, trends and schools.

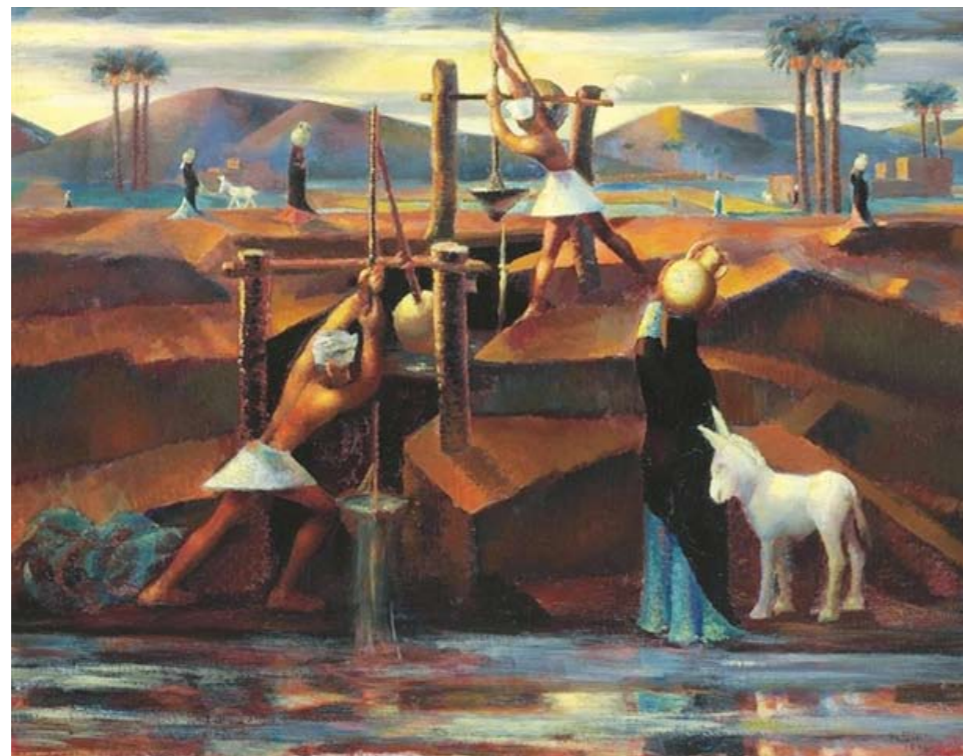
Brief analysis of artists and their work is given through paragraphs that highlight how they fit particular themes and is presented alongside reproductions,

an aspect that is fitting for an auction catalog, not a publication that seeks to be authoritative. Although Eigner provides an important insight into the development of art since the modern period, it comes in the form of a short introduction. In the end his examination is bogged down by images that are in dire need of an art historical framework.

In order for the international community to begin to understand the vibrant creative landscape that has shaped Arab and Iranian art, these types of publications must place more attention on the chronicling of movements, artistic developments and the progression of local art scenes. It is then that art from the region will be properly recognized. ☑

Unveiled: New Art From the Middle East by Saatchi Gallery
Booth-Clibborn Editions, 2009
Art of the Middle East: Modern and Contemporary Art of the Arab World and Iran by Saeb Eigner
Merrell Publishers Limited, 2010
Maymanah Farhat - Art historian specializing in modern and contemporary Arab art. She is based in New York.

Mahmoud Said
Les chadoufs



Marwan Rechmaoui
Beirut Caoutchouc



New Century ... New Country

Dr. Turki AlAwwad

Assistant Professor at Institute of Diplomatic Studies

Along the rise of the 21st Century Saudi Arabia has looked beyond its oil production and beyond the fact that it homes the holiest places in Islam. King Abdullah, since he came to power, has led the country to newer horizons both on domestic and international fronts. He promised rapid, substantial reforms and greater openness. This was noted the world over, as Washington Times documents, 'The King has embraced the spirit of *infatih*, or openness that is sweeping Saudi society'. Similarly, Jamal Khashoggi, ex-Editor-in-Chief of the *Alwatan* daily noted about the new King's style of governance, 'The people now in charge are not being ordered to implement reform; they believe in reform'.

On the political front, King Abdullah proposes a peace plan to resolve the Israeli-Palestinian conflict by offering Israel normal relations with Arab countries in exchange for withdrawal from all territories occupied since 1967. In addition to this, the King has urged Muslim leaders to speak with leaders of the Jewish, Christian and other faiths so as to be able to bridge the gap between different religions and faiths. A direct result of this reconciliatory effort was the organization of the Interfaith Dialogue in Madrid held in July of 2008. It is accurate to note that hundreds of wars have started over religion. However, the Interfaith Dialogue attempts to achieve peace, being a forum where different grievances can be voiced, which is a first step in any resolution process.

Moreover, presently Saudi Arabia is witnessing unprecedented foreign investment incentives and giving easy access to international companies to invest directly in different business areas within the country. This advantageous economic position has historically proven to be beneficial when it comes to having a say in international matters. This is supported by statistics as The World Bank rated Saudi Arabia as the 13th most

competitive country in the world out of 183 economies in 2010 in Ease of Doing Business index. Such ranking translates into, as the World Bank announces, a strong indication of better and simpler regulations for businesses and stronger protection of property rights.

Peak years of oil revenue, the country's banking regulations and its conservative lending policies were key factors which worked as a shield against the recent economic depression. It is today one of the fastest growing economies and qualified it to be in the group of twenty (G-20) largest economies in the world. Professor Jean Francois Seznec, a visiting Professor at Georgetown University, comments on the country's emergent economic presence on the world market, 'It is recognition of Saudi Arabia on the world stage and recognition of the Kingdom's importance as a major, stable, credible economic power', he adds by observing, 'The Saudis have made great strides in diversifying its economy and they have been very successful'.

Saudi Arabia is passing through a transitional stage both at the national and global level. This gives the Kingdom an opportunity to play a key role in proposing solutions and ideas which can lead to a more stabilized world. These prospects on the horizon of this almost New Country which has renewed its energy beyond oil and into the markets of the New Century convene with King Abdullah's ambitions of a globally and regional dominant, stable and powerful Saudi Arabia, to the spine.

Keeping history in hindsight, one has to admit that Saudi Arabia has accomplished in a decade what many have taken a century to achieve. With its leadership, ambitions and global vision Saudi Arabia is competent today to realistically plan and not just dream of realizing its full potential in near future. Therefore, it is hard to conjecture what, how much and how far Saudi Arabia can attain in the second decade of the present century.

Well, my guess is... Wait and watch. ☑

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