

مركز البيان للدراسات والتخطيط  
Al-Bayan Center for Planning and Studies



# A Union in the Middle East and North Africa: Lessons From Europe

Al-Bayan Center Publications Series



## **About**

Al-Bayan Center for Planning and Studies is an independent, nonprofit think tank based in Baghdad, Iraq. Its primary mission is to offer an authentic perspective on public policy issues related to Iraq and the neighboring region. Al-Bayan pursues its vision by conducting autonomous analysis, as well as proposing workable solutions for complex issues that concern academia and policymakers.

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**[www.bayancenter.org](http://www.bayancenter.org)**

**[info@bayancenter.org](mailto:info@bayancenter.org)**

# A Union in the Middle East and North Africa: Lessons From Europe

## **Introduction**

Cycles of oppressive government, poverty, nationalism, extremism, economic and political instability and ethno-sectarian violence in a geographic area of vague definition. These characteristics are only some of the terms commonly used to describe the Middle East and North Africa region today. However, a mere hundred years ago, these same terms could be applied to Europe as a whole. The region suffered from chronic violence and instability along racial, ethnic, political and religious lines, culminating in the devastation of World War II. Since then, however, the region has been stable, economically prosperous and more unified than it has been in recent memory. And it owes a significant deal of that to the European Union. Regardless of the current wave of Euroscepticism sweeping over Europe at present, the European Union has successfully integrated the social, economic and political structures of nation states that have traditionally been hostile to one-another. Can the Middle East and North Africa region draw any lessons from Europe and the European Union? What would it take to create a prospective Middle Eastern Union?

This report seeks to answer that question by positing why the European Union is more suitable as a precedent for a Middle Eastern Union than one would initially think and seeks to explain how the existing international organisations in the region, the Gulf Cooperation Council and the Arab League, are not suited towards this goal by highlighting their failures to foster peace and integration since the Arab Spring in 2011. It then presents a theoretical basis for how a Middle Eastern Union should look like and the structure it follows, taking the European Union as a model as well as the analyses of political scientists such as Ernest Haas, Robert Keohane and Joseph Nye regarding integration and interdependence. After that, the report seeks to highlight how the foundations of such a union can be forged in practical terms, using a Jordan-Iraq-Kuwait triangle of economic relations that would generate trust and incentivise further integration.

## **The European Union as a model for a New Middle Eastern Union**

### **The European Union as a Precedent:**

At a glance, using the European Union as a template for a prospective Middle Eastern Union might seem unrealistic. The present-day cultural, economic and political climates of these two regions are, after all, vastly different. However, both in terms of composition and history, Europe bears many similarities to the Middle East. Much like the Middle East, the exact geographical boundaries of Europe and the political and cultural qualities of what “Europe” is meant to be has been debated fiercely over the years; and, just like the Middle East, Europe is home to many different languages whilst also being fraught with religious, racial and social divisions. Its history is one of repeated fragmentation and reordering of political boundaries amidst cycles of war, dictatorships and uncertainty.

In this sense, the fact that Europeans have managed to, in the aftermath of the devastation of two World Wars, agree towards a mutual goal of integration and prosperity sets a promising precedent for the Middle East. It highlights that the on-going conflicts of the Middle East, so often framed as being based on “ancient hatreds” or “immutable differences” can be overcome given the right socio-economic motivations and political prudence.

Assessing the viability to the Arab League and the Gulf Cooperation Council

Another issue to be raised with a new transnational Middle Eastern organisation is whether there is need for such an organisation when two well-established organisations already exist: The Gulf Cooperation Council (GCC) and the Arab League. Between them, these organisations already have policies in place relating to security issues, economy (including the Arab League’s “Greater Arab Free Trade Area – GAFTA) and broader politics. However, both of these organisations can provide valuable insight and experience on a Middle East-based transnational organisation; their scope and mandate prevents them from achieving the full potential such an organisation can have.

When the GCC was founded, the organisation had the promise to become an organisation that could transcend national boundaries and coalesce into a

union of mutual political and economic security with policies aimed at creating a common market<sup>1</sup> and subsequently, a common security/military force<sup>2</sup>. Having been able to supersede the stagnating Arab League in prominence, the GCC has become particularly active since the Arab Spring, conducting interventions in Yemen and Bahrain, supporting the Syrian opposition (alongside the Arab League) and providing economic and political support for its allies and partners.

However, in becoming more proactive, the GCC has also highlighted its deficiencies. Since the beginning of the Arab Spring, the GCC's efforts have arguably not been focused on resolving the circumstances that caused it but instead on preserving the status quo. This behaviour, rather than reflecting a broader Gulf consensus, in fact demonstrates that the GCC is a reactionary force that has tried to retain the Status quo since the Arab Spring started, following policies that are not constructive and aimed at allowing gulf countries to adapt to the changes but resisting them, often with short-term gains. The attempt to maintain the status quo is perhaps due to the organisation being a Saudi led endeavour, leading to GCC policies that are skewed to Saudi national interests as opposed to an integration of broader Gulf desires. This has evidently led to the GCC being utilised as a proxy for Saudi geostrategic interests within the region that have entrenched ethno-sectarian differences and contributed to, rather than resolving, the humanitarian suffering in Syria, Yemen and Bahrain. Such skew also resulted with the GCC antagonising Arab (Syria, Morsi's Egypt) and non-Arab (Iran) actors, thus perpetuating the risk of conflict rather than resolving it.

On a similar vein, the Arab League was established with a charter for pan-Arabism, espousing "one nation with one language" that would suggest gradual integration of Arab States into one supranational entity. In reality, however, the Arab League was based strictly on respect for traditional state sovereignty of Arab States and went out of its way to emphasize this<sup>3</sup>. Moreover, the fact that it is based on the notion of ethnic "Arab Exceptionalism" that officially pits itself against Israel and, increasingly, Iran precludes it from becoming a truly pluralistic

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1. "About GCC: Objectives", Gulf Cooperation Council, <<http://www.gcc-sg.org/en-us/AboutGCC/Pages/StartingPointsAndGoals.aspx>>, [Accessed 07-June-2016]

2. Dr. Zafer Muhammad Alajmi, "Gulf Military Cooperation: Tangible Gains or Limited Results?", Al-Jazeera Centre for Studies, 31-March-2015, <<http://studies.aljazeera.net/en/dossiers/2015/03/201533164429153675.html>>, [Accessed 07-June-2016]

3. Louise Fawcett, *International Relations of the Middle East*, Oxford University Press, Oxford, 2013, p.94

and international entity that can serve the needs of the entire region<sup>4</sup>. Tellingly, the Arab League has remained stagnant until 2011 upon which its interests and actions mirrored those of the GCC, effectively becoming complicit in the same divisive policies<sup>5</sup>.

Consequently, the focus on national rather than regional interests and the efforts to preserve the status quo has proven divisive even among allies. For instance, Saudi Arabia and the Emirates' focus on containing Iran as a threat has led to their interventions in Bahrain, Yemen and support for rebels in Syria, all of which has had dire humanitarian repercussions while alienating allies such as Kuwait and Oman. Likewise, these countries have engaged in contradictory policies in regards to Egypt and Yemen that were motivated by national interests and failed to provide adequate resolution to the challenges these countries face<sup>6</sup>. Furthermore, Saudi Arabia's disproportionate influence in the regional organisations and its efforts to drive policies in a way that aligns with its particular interests have caused discomfort among other regional powers such as Oman, which rejected a GCC-led currency union<sup>7</sup> and Qatar, whose spats with the rest of the GCC resulted with the withdrawal of Saudi, Bahraini and Emirati envoys from Qatar in 2014<sup>8</sup>. Events such as these are indicative that although the principles of mutual benefit and cooperation are codified in the charter of the organisation, they are not taken at heart, leading to chronic lack of trust and integration.

### **The Theoretical Framework for a New Middle Eastern Union**

Today, the Middle East and North Africa region face many challenges such as uneven economic development and stagnation, high youth unemployment, brain drain, lack of economic diversity, scarcity of water and arable land,

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4. Ibid, p. 80

5. Ibid, p. 85

6. Madawi al-Rasheed, "How United is the GCC?", Al-Monitor, 01-April-2016, <<http://www.al-monitor.com/pulse/originals/2016/04/gulf-nationalism-regime-survival-saudi-qatar-uae.html>>, [Accessed 08-June-2016]

7. Bruce Riedel, "Saudi Arabia Moving Ahead With Gulf Currency Union", Al-Monitor, 22-December-2013, <<http://www.al-monitor.com/pulse/originals/2013/12/saudi-arabia-gcc-unity-oman-opposition-king-abdullah.html>>, [Accessed 08-June-2016]

8. Sami-Joe Abboud (Translation), "Saudi Arabia, Bahrain and UAE Withdraw Envoys from Qatar", Al-Monitor, 06-March-2014, <<http://www.al-monitor.com/pulse/politics/2014/03/saudi-uae-bahrain-withdraw-ambassadors-qatar.html>>, [Accessed 06-March-2014]

transnational religious extremism and high crime rates. Since the Arab Spring, these issues were compounded by political strife and refugee crises as a result of the conflicts in Yemen, Iraq, Syria and Libya, putting further strain on the limited resources many regional governments have. Although many of these challenges are domestic in nature, they have a significant transnational element due to ethnic, religious, tribal or political relations that transcend national borders and have become more pronounced as a result of globalization. Consequently, no country in the region is equipped to overcome these challenges singlehandedly. Instead, a coordinated, transnational response that aligns political and economic goals is needed to ensure that not only can these challenges be overcome, but that they can be done in a manner that benefits all involved parties mutually, therefore preventing further hostilities.

A prospective transnational organisation spanning the Middle East and North Africa region will therefore need to overcome the pitfalls that existing organisations have fallen to. It will need to address the demands and needs of all members in a manner that encourages cooperation and discourages a zero-sum world-view in policy-making. It will, in essence, require a model of interdependence that is characterised by three guidelines:

The use of multiple channels of action between societies in transnational, transgovernmental and transnational relations

The absence of a hierarchy of issues with changing agendas and linkages between issues prioritised

Bringing about a decline of military force as a policy tool or coercive power.

Achieving this requires looking into how Europe managed to overcome its past. Throughout history, states have sought power through means of military force and territorial expansion but in a highly industrialised and technological age, what leads to success is a highly qualified labour force, access to information and financial capital becoming what is referred to as “trading states”. This is highlighted by the two most powerful economies of the post-World War II years, Japan and Germany, both of which have traded high-expenditure militaries and the principle of self-sufficiency with international division of labour and increased interdependence. Beyond Germany and Japan, thinkers such as Ernest Haas saw this pattern emerging across Western Europe as a whole in the 1950s. He argued

that integration could be achieved through getting political actors to realise that their interests lied with intensified cooperation and driving them to “shift their loyalties towards a new centre whose institutions possess or demand jurisdiction over pre-existing national states”<sup>9</sup>. He argued that creating cooperation over one area would gradually lead to cooperation in other areas through spill-over effect, gradually increasing integration.

Subsequent and growing integration among European countries prompted political scientists such as Keohane and Nye to speculate that interdependence had reached a more complex stage. They argued that whereas previously, national leaders still had the option to resort to military use, the need for this had eroded as a result of relations between states consisting of relations between different actors and branches of government. Effectively, international politics were becoming more like domestic politics where different issues generated different coalitions and military force was less useful as an instrument<sup>10</sup>. In such an environment, states were more pre-occupied with welfare and economics and skills such as effective negotiation become more prevalent than a powerful military<sup>11</sup>. Keohane and Nye argued that under such circumstances, states would often pursue different goals simultaneously and transnational actors, organisations, corporations and institutions would become more prominent as these would be the arenas in which weaker states would form coalitions and set international agendas<sup>12</sup>. While they acknowledge that interdependence does not entirely eliminate warfare and military power can still be used in life-and-death situations, the sense of improved cooperation and cohesion it fosters between states renders warfare a wholly unattractive option.

Political scientists argue that growing interdependence between states is and the associated use of institutions<sup>13</sup> has an additional, stabilising effect. They argue that increased use of institutions (“institutionalisation”) does not only encourage cooperation and diffuse hostilities; they act as buffers to absorb

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9. Ernest Haas, *The Uniting of Europe: Political, Social and Economic Forces 1950-1957*, Stanford, Stanford University Press, 1958, p. 16.

10. Robert O. Keohane, Joseph Nye, *Power and Interdependence: World Politics in Transition*, Boston, Little Brown, 1977, p. 25

11. *Ibid*, pp. 24-26

12. *Ibid*, 29-38

13. Here defined as an international organisation or a set of rules which govern state action in particular areas such as aviation or shipping. These rules can also be referred to as “regimes”.



shocks and manage crises, something that Keohane attributes to how Western Europe was able to cope with the geopolitical changes in the aftermath of the end of the Cold War<sup>14</sup>. They do so by providing a flow of information among their member states, thus leaving much less space for distrust in regards to each others' activities. Institutions thus provide a forum of negotiation between states, fostering cooperation between states for mutual advantage<sup>15</sup>. The constructive role institutions play allows for states to enhance the ability of governments to monitor others' compliance and implement their own commitments<sup>16</sup>. This not only incentives states to deepen and entrench institutionalisation, it also compels them to make these organisations more transparent and less corrupt to foster trust among partners.

As the aforementioned case of the GCC shows, one of the most important components of fostering an environment of mutual trust and preventing the emergence of a zero-sum mind-set is to prevent a single member from having disproportionate power over the organisation's agenda. This can either be achieved through a number of smaller and medium-strength states joining together to balance against a stronger state or it can be done through the strategic balancing of two stronger states. In Europe, there is a precedent for both. When Belgium and Luxembourg created a limited economic union of fixed currency exchange rates in 1922, they did so out of unwillingness to get caught in big-power rivalries<sup>17</sup>. Similarly, during the founding of the European Union (when it was still the European Coal & Steel Community), the rivalry and mutual suspicion between France and Germany was diffused when French and German coal and steel industries were placed under the auspices of a supranational organisation. This allowed Germany to reconstruct from World War II while allaying French fears of German domination, effectively aligning their strategic interests together<sup>18</sup>. Given that, at present, the most influential two powers in the region, Saudi Arabia and Iran, are also bitter rivals; it would be untenable for them to tie their strategic interests together. The former model of a few small and medium-strength states banding together is more likely to succeed and less likely to be impacted by spoiler parties.

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14. Robert O. Keohane, Introduction: The End of the Cold War In Europe, 1993, pp. 1-23

15. Joseph Nye, Understanding International Conflicts, New York, Harper Collins, 1993, p. 39

16. Robert O. Keohane, International Institutions and State Power: Essays in International Relations Theory, Boulder, Westview Press, 1989, P. 2

17. John McCormick, Understanding the European Union, Basingstoke, Palgrave, 2014, p. 29

18. Ibid, pp. 51-53

It is important to keep in mind when modelling a Middle Eastern Union out of the European Union is that what the EU is today is not how it started as. Rather, it is the culmination of decades-long process of integration, adjustments, policy alignments and cooperation, something that was predicted by the Schulman Declaration that started the European Coal & Steel Community:

“Europe will not be made all at once, or according to a single general plan. It will be built through concrete achievements which first create a de facto solidarity”<sup>19</sup>

Therefore, although long-term goals for a Middle Eastern Union should be ambitious, they should be mindful of reality and realistic of what can be achieved in the short term. Integration should not be forced but rather encouraged gradually through growing trust with the understanding that the union is not designed to replace member states but rather to “transform them into integral parts of a cooperative venture”<sup>20</sup>.

### **The Genesis of a New Middle Eastern Union**

Based on how the prospective model for the union has been described so far, this report has identified three countries that can plausibly act as starting members for a potential Middle Eastern Union: Kuwait, Iraq and Jordan. The rationale behind choosing these countries lie in their proximity, the ability for their economies to complement one-another and their geo-political and geo-strategic relations.

Today, Jordan’s economy is one of the most dynamic and diversified economies in the Middle East. Lacking petroleum resources or arable land, Jordan’s economy is instead focused on mining (phosphates), manufacturing, construction, tourism and energy, with remittances from surrounding countries as well as support from other Gulf countries making for the rest of its GDP<sup>21</sup>. The Gulf assistance has become especially vital, as regional instability has caused

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19. John Pinder, Simon Usherwood, *The European Union*, Oxford, Oxford University Press, 2013, p. 9

20. *Ibid*, p. 8

21. “Economy Overview – The World Factbook”, CIA, <<https://www.cia.gov/library/publications/the-world-factbook/fields/2116.html>>, [Accessed 10-June-2016]

growing strains to the Jordanian economy that was already struggling with high unemployment<sup>22</sup>. However, Jordan is also considered one of the foremost leaders in information technology in the Middle East, having made rapid strides in the sector since the 1990s and has been poised to become “the Silicon Valley of the region”<sup>23</sup>. As such, Jordan is considered a knowledge economy with a high level of human capital and with prior expertise in managing an economy that lacks natural resources yet is diversified.

In contrast, both Iraq and Kuwait are predominantly oil economies with %60 and %50 of their GDPs respectively and nearly all their export and government revenues sourced from oil sales<sup>24</sup>. The falling oil prices have highlighted how risky the reliance on a single commodity is, as both countries have been hit with financial troubles since the oil prices fell in 2015. The situation is proving especially dangerous for Iraq as it continues to fight against the Islamic State whereas in Kuwait, efforts to diversify the economy have been hampered by political infighting<sup>25</sup>.

However, there are also significant differences between the two nation states. Despite the events surrounding it, Kuwait has managed to remain stable and is home to a population whose education and skill levels are above the regional average<sup>26</sup> whereas Iraq, owing to the sustained instability and corruption the country suffers from, has been suffering from chronic brain-drain<sup>27</sup>. Furthermore, Kuwait, like Jordan, lacks significant arable land but Iraq, despite suffering from desertification, soil salinity and environmental degradation, boasts significant

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22. Kirk H. Sowell, “Jordan is Sliding Towards Insolvency”, Carnegie Endowment for International Peace, 17-March-2016, <<http://carnegieendowment.org/sada/?fa=63061>>, [Accessed 10-June-2016]

23. “Programming Potential: Rising Penetration Levels Spur New Focus on the Sector”, Oxford Business Group, <<http://www.oxfordbusinessgroup.com/overview/programming-potential-rising-penetration-levels-spur-new-focus-sector-0>>, [Accessed 10-June-2016]

24. “Economy Overview – The World Factbook”, CIA, <<https://www.cia.gov/library/publications/the-world-factbook/fields/2116.html>>, [Accessed 10-June-2016]

25. Ibid.

26. “Human Development Report 2015 – Kuwait”, United Nations Development Programme, <[http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/KWT.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/KWT.pdf)>, [Accessed 10-June-2016]

27. Wassim Bassen, Rani Geha (Translator), “Iraq’s brain drain continues”, Al-Monitor, 19-April-2015, <<http://www.al-monitor.com/pulse/originals/2015/04/iraq-youth-emigration-lack-security-west.html>>, [Accessed 10-June-2016]

arable land, especially along the Mesopotamian Plains<sup>28</sup>.

All three countries have needs to help retain stability and promote further development and all have capabilities that would help towards fulfilling each others' needs. It would therefore be mutually beneficial for them to align their interests and policies towards achieving mutual prosperity. In addition, achieving this goal is not just significant for its own sake; it would set the foundations towards greater regional integration.

The oil industry represents the most immediate and obvious sector where investment and economic and political alignment can be of benefit for all countries involved. Although the on-going oil glut has lowered prices and cut into the profits of both Iraq and Kuwait, the oil industry still remains their largest source of income and therefore the likeliest source of funding towards further development and diversification. With some analysts predicting that the oil prices are due to rise significantly in the near future, the potential of economic rewards for investment in the oil industry is especially high<sup>29</sup>. The oil and gas fields in the Basra Province represent one of the most ideal locations for such investment: In close proximity to both the Persian Gulf and Kuwait itself in a relatively underdeveloped but stable part of the country, the region would benefit from an Iraqi-Kuwaiti joint venture that lends Kuwaiti technical expertise and Iraqi manpower<sup>30</sup>. Alignment of economic policies and regulations would allow for both countries to produce oil without cutting at each other's profits or entering a dispute on regional oil rights. The promise of Iraqi development to allow Iraq to repay its debt to Kuwait could act as a further incentive for Kuwait to help Iraq develop its potential<sup>31</sup>.

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28. Tara Mohamed Anwar Omer, "Country Profile: Iraq", Food and Agriculture Organisation of the United Nations, April 2011, <<http://www.fao.org/ag/agp/agpc/doc/counprof/iraq/iraq.html>>, [Accessed 10-June-2016]

29. Keith Johnson, "The Era of Cheap Oil is Coming to an End", Foreign Policy Magazine, 14-June-2016, <<http://foreignpolicy.com/2016/06/14/the-era-of-cheap-oil-is-coming-to-an-end/>>, [Accessed 21-June-2016]

30. Basra Council, "Basra Establishes Regional Development Company to Attract International Oil, Gas and Infrastructure Investment", PR Newswire, 03-November-2015, <<http://www.prnewswire.com/news-releases/basra-establishes-regional-development-company-to-attract-international-oil-gas-and-infrastructure-investment-539755341.html>>, [Accessed 20-June-2016]

31. Amer Diab al-Tamimi, Rani Geha (Translator), "Iraqi Debt to Kuwait May Become Fruitful Business Partnership", Al-Monitor, 08-February-2013, <<http://www.al-monitor.com/pulse/business/2012/04/iraqs-debts-to-kuwait-why-not-tu.html>>, [Accessed 20-June-2016]

Jordanian involvement in such a venture comes as the role of the buyer. Jordan already has a long history of oil purchase from Iraq which was disrupted in 2003 following the fall of Saddam Hussein. More recently, trade between Jordan and Iraq has been disrupted by the loss of Al-Rutbah border town and the city of Fallujah through which the critical Highway 11 passes to the Islamic State. As the Iraqi Security Forces have retaken Al-Rutbah and are poised to fully capture Fallujah, the reopening of the border represents an opportunity to resume trade with Jordan, something that would benefit both countries<sup>32</sup>. This is especially significant, given Jordan's reliance on Saudi Arabia has raised political tensions in the country in regards to issues where their policies don't align<sup>33</sup>. Setting up a preferential energy agreement between Jordan, Kuwait and Iraq would relieve the economic and political pressure on Jordan while also buffering it against potential rise in energy prices in the future.

Another industry that can use investments and economic and policy alignment is tourism. The experiences of other diversifying economies such as the United Arab Emirates have shown that the tourism industry can be a significant source of income<sup>34</sup>. Jordan already boasts archaeological tourist sites of significant importance. Although regional instability has cut into Jordanian tourism profits, it is still an important source of revenue and is an industry it has experience in. Meanwhile, Iraq is home to many historic sites that have been neglected or damaged as a result of years of instability. An Iraqi-Jordanian joint venture in reviving these sites would not only help towards protecting them and boosting the touristic credentials of Iraq, they would also render the region as a whole more attractive, helping Jordanian tourism in the process. Moreover, the improvement of the regional economies through tourism and the convergence of markets would aid in providing stability for the region.

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32. Paul McLeary, "The Fight for Fallujah's Highway 11", *Foreign Policy Magazine*, 02-June-2016, <<http://foreignpolicy.com/2016/06/02/the-fight-for-fallujahs-highway-11/>>, [Accessed 20-June-2016]

33. Osama Al Sharif, "Jordan Pivots to Saudi Arabia", *Al-Monitor*, 21-April-2016, <<http://www.al-monitor.com/pulse/originals/2016/04/jordan-saudi-arabia-iran-regional-interference-terrorism.html>>, [Accessed 20-June-2016]

34. "Tourism Critical to UAE's Ecomic Diversification Drive", *Gulf News*, 03-April-2016, <<http://gulfnews.com/business/sectors/tourism/tourism-critical-to-uae-s-economic-diversification-drive-1.1703322>>, [Accessed 22-June-2016]

Another facet of the tourism industry is religious tourism. Although Iraq does not draw many visitors for its historic and archaeological sites at the moment, it has many sites of religious significance that continue to draw visitors even during the on-going period of instability. Shia religious shrines and the holy cities of Najaf and Karbala are especially important, with many Shia pilgrims visiting these sites regularly, especially during the Arba'een Procession. Traditionally the pilgrimage begins in Najaf and marches towards Karbala but some groups have been known to begin their journey as far as Kuwait and travelling through Basra, which lies in close proximity. The Kuwaiti tourism industry has already sought to capitalise on this, investing in hotels, facilities and accommodations in Kuwait, Basra and Najaf<sup>35</sup>, but as a whole, the sector remains underdeveloped. Joint ventures in improving these facilities and taking measures to make investment smoother (such as reducing bureaucracy and corruption) would aid the economic diversification of both Iraq and Kuwait while at the same time providing a public service for the pilgrims by improving local conditions.

Agriculture is another sector where economic interdependence and a common policy system would be of benefit to all countries involved. The land in Iraq has suffered from degradation due to war, instability and Saddam Hussein's draining of the marshlands and suffered even more under the Islamic State which enacted a scorched-Earth policy in the regions it lost. Meanwhile, agriculture remains low-capacity due to lack of modernisation, inefficiency and bureaucracy that prevents further investment and development<sup>36</sup>. A joint World Bank/United Nations report shows that with medium-to-long term goals of coherent, coordinated efforts aiming policy improvements and investment projects including inter-alia rehabilitation of support services and capacity building<sup>37</sup>. Both Kuwaiti and Jordanian companies can be a source of investment for Iraq: Both countries suffer from aridity, limited farming land and lack of water. Since independence, Jordan has enacted a number of policies to regulate water use and gain the most from their limited farming space. Although the kingdom experienced periods of abundance,

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35. "Iraq's Holy Cities Enjoy Boom in Religious Tourism", Al-Arabiya, 04-April-2013, <<http://english.alarabiya.net/en/life-style/art-and-culture/2013/04/04/Iraq-s-holy-cities-enjoy-boom-in-religious-tourism.html>>, [Accessed 21-June-2016]

36. Paolo Lucani, "Iraq: Agriculture Sector Note", Food and Agriculture Organisation of the United Nations and The World Bank, 2012, p. 49

37. Ibid, Pp, 13, 14

it has been inconsistent and food security has remained a consistent problem<sup>38</sup>. Meanwhile, though Kuwait lacks a significant agricultural infrastructure, it has used desalination and advanced water treatment techniques to maintain what little farming land it has, as well as to support water for its population<sup>39</sup>. The combination of Kuwaiti technology and Jordanian experience can help Iraq re-develop its agricultural industry, simultaneously providing a test-bed for their knowledge and technologies towards further innovation. The re-development of Iraq's agricultural sector would, in turn, provide for Kuwait and Jordan, helping ensure food security for both countries. An alignment in the agricultural sector could have benefits in the short-term as well. Jordan, for instance, recorded a rise in agricultural production in 2014 and 2015, but its exports fell by %25 owing to the Syrian Civil War and the closure of borders<sup>40</sup>. The creation of a trade agreement between Iraq and Jordan for Jordanian exports (in conjunction with the opening of the borders) can help Jordan make up for the shortfall while simultaneously helping Iraq feed its large population of IDPs.

Indeed, the overall synchronisation of Kuwaiti and Jordanian technological expertise and resources with Iraq's large and young populace represents significant opportunities for all countries involved. This is especially exemplified in the telecom sector. The removal of Saddam Hussein in 2003 and the subsequent economic boom in the Kurdish regions has increased mobile phone and internet penetration significantly. However, distribution remains uneven. As of 2013, mobile penetration rate in Kurdistan hovered around %90 while Central and Southern Iraq is around %77<sup>41</sup>. However, internet penetration rates have remained generally low (%7-10) and existing mobile speed is, on average, 2G<sup>42</sup>. Kuwaiti telecoms corporation Zain is the largest provider in Iraq<sup>43</sup>, followed by Asiacell<sup>44</sup>

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38. Mahmoud Abusetta Al-Jaloudy, "Country Profile: Jordan", Food and Agriculture Organisation of the United Nations, 2006, <<http://www.fao.org/ag/agp/agpc/doc/counprof/jordan/jordan.htm>>, [Accessed 23-June-2016]

39. "Kuwait", Food and Agriculture Organisation of the United Nations, 2008, p. 4-6

40. "Jordan Agriculture Exports on the Rise", Oxford Business Group, 22-January-2015, <<http://www.oxfordbusinessgroup.com/news/jordan-agriculture-exports-rise>>, [Accessed 23-June-2016]

41. "Plugging In: Telecom and Internet", Invest In Group, October 2013, <<http://investingroup.org/review/242/plugging-in-telecom-and-internet-kurdistan/>>, [Accessed 28-June-2016]

42. Ibid

43. "Zain Iraq Homepage", <<https://www.iq.zain.com/ar/web/iraq/personal>>, [Accessed 28-June-2016]

44. "Asiacell Homepage", <<https://www.asiacell.com/>>, [Accessed 28-June-2016]



and Korek<sup>45</sup> which are concentrated in Kurdistan. This leaves significant space for growth for Zain as well as significant opportunity of investment for other companies in the region. Given Jordan's aforementioned high-skill human capital, it would be especially opportune for Jordanian companies to form partnerships in Iraq and invest there. Telecoms, however, represents just one of the possibilities. There has been a growing sentiment among Iraqi policymakers to ease policies enact privatisation to encourage industries<sup>46</sup> and even reactivate some of the industries that were prominent during the reign of Saddam Hussein<sup>47</sup>. With Iraq in need of high levels of regeneration in technology, infrastructure and has a very high population of youth, Iraq represents both a tempting market and an investment opportunity. Using high-skilled Kuwaiti and Jordanian professionals to develop such skills across Iraq would not only help develop Iraq's native capacity, it would take the pressure off Kuwait and especially Jordan that is struggling from high unemployment and has remittances as a major contributor to its economy.

Beyond the economy, the synchronisation of these three countries' interests can have positive impacts towards embedding institutionalisation, promoting the rule of law and reducing corruption. According to the Transparency International, Iraq ranks as one of the most corrupt countries in the world (ranking 161st out of 16848) whereas Kuwait and Jordan rank 55th<sup>49</sup> and 45th<sup>50</sup> respectively. The efforts to make all countries' economies compatible with one-another and create for an investment-friendly environment across all countries will require significant policy adjustments on all countries involved. In this regards, Jordan and Iraq can act as a model for Iraq in rebuilding its institutions and reducing the bureaucracy that has slowed down investment efforts and stifled growth. The

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45. "Korek Homepage", <<http://www.korektel.com/>>, [Accessed 28-June-2016]

46. Ali Mamoury, Joelle el-Khoury, "How to Resolve Iraq's Economic Crisis", Al-Monitor, 17-November-2015, <<http://www.al-monitor.com/pulse/originals/2015/11/iraq-budget-deficit-steps-oil-revenues.html>>, [Accessed 28-June-2016]

47. Omar Al-Jaffal, Pascale el-Khoury, "Iraq's Defunct Military Industry", Al-Monitor, 01-July-2015, <<http://www.al-monitor.com/pulse/originals/2015/07/iraq-military-industry-war-islamic-state.html>>, [Accessed 28-June-2016]

48. "Iraq", Transparency International, <<https://www.transparency.org/country/#IRQ>>, [Accessed 21-June-2016]

49. "Kuwait", Transparency International, <<https://www.transparency.org/country/#KWT>>, [Accessed 21-June-2016]

50. "Jordan", Transparency International, <<https://www.transparency.org/country/#JOR>>, [Accessed 21-June-2016]



promise of investment and development in a tangible manner would, in turn, act as an incentive to take corruption head-on as the rewards for transparency outweigh the rewards of a corruption culture.

Moreover, although the proposed union is an economic one, the prevalence of mutual interests will allow for member states to coordinate security policies. Both Iraq and Jordan have been heavily impacted by the fallout of the Syrian Civil War. Refugee crises have impacted both countries, straining their resources and damage stability. A mutual security policy on dealing with border porousness and terrorism will not only be instrumental in ensuring greater regional stability but also allow member states to protect their economic interests, creating the space for further growth in the absence of insecurity. Another layer of incentive for mutual security is the rivalry between the regional great powers, Saudi Arabia and Iran. These two countries have significant influence on Jordan and Iraq respectively. Meanwhile Kuwait, with a near-even Shia-Sunni population and a lack of hostility to Iran despite being a GCC member, sits in the middle of both Saudi Arabia and Iran<sup>51</sup>. Strategically, this would make Jordan and Iraq in particular a proxy for regional rivalries but an understanding of mutual cooperation between Jordan, Iraq and Kuwait can easily parlay this into diplomatic gains for all parties involved by acting as mediators and channels of communication between Saudi Arabia and Iran. This would not only give the Union more clout, but also disincentivise Saudi Arabia or Iran to undermine or spoil the efforts of the Union.

The achievement of economic interdependence, policy alignment and the entrenchment of institutions do not only have immediate benefits for the countries involved, they are essentially the first step towards building a greater Middle Eastern Union. Starting out with a small number of countries cooperating economically and setting policies will allow an institution of cooperation and a culture of interdependence to emerge organically rather than one inspired by ideology or enforced by a greater regional power. It will give space for experimentation and negotiation with minimal spoiler interference from within while the policies and institutions are refined, enabling participants to have consensus on a working model, rather than borrowing a wholly different model without accounting for regional nuances. And ultimately, should this Union of three countries choose to expand; it will have the finances and technical expertise

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51. Madawi Al-Rasheed, "How United is the GCC?", *Al-Monitor*, 01-April-2016, <<http://www.al-monitor.com/pulse/originals/2016/04/gulf-nationalism-regime-survival-saudi-qatar-uae.html>>, [Accessed 24-June-2016]

to help improve the candidate countries and the institutional know-how to deal with the changes.

### **Summary and Conclusion**

The purpose of the report was, ultimately, to analyse whether the model that has changed Europe and brought it stability and prosperity can be applied to the Middle East and North Africa region. It has highlighted that historically, Europe suffered from much of the same ills as the Middle East and North Africa does now and managed to achieve stability and prosperity through economic, political and social integration, as highlighted by the observations of Haas, Keohane and Nye. What they show is achieving what the European Union has is not a short term goal but a long one, requiring patience, diligence and steady development in building trust, encouraging cooperation and fostering integration.

To achieve this realistically, this report has suggested a foundation made up from the economic cooperation between Jordan, Kuwait and Iraq, as all three countries can offer each other something and they all suffer from issues that can not be solved on their own. This report argues that through economic development via the oil, tourism and agriculture industries, among others, these three countries can forge the foundations of a Middle Eastern Union that can then organically grow in size and scope while remaining a forward-looking entity. Achieving this will not be quick and it will require a lot of work, but the outcome will be worth it.

