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Bridging the Gulf?

**Exploring South African Ties with
the Countries of the Gulf Region**

SAIIA Research Group

SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS

Reports

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Bridging the Gulf?

Exploring South African Ties with the Countries of the Gulf Region

SAIIA Research Group¹

In the wake of the Iraqi crisis and the international political fallout caused by the unilateral actions of the US and its allies in the 'coalition of the willing', it is relevant that South Africa considers the nature, potential and extent of the interests it shares with the countries of the Gulf. The regime change which the US and its allies are now forcing on the people of Iraq will have a major effect on political developments throughout the Persian Gulf and the whole Middle East region. This effect will be reflected in the changes it will bring about in the relations between the countries of that region and the rest of the international community. It will, however, not alter the fact that the Gulf remains one of the largest sources of the world's oil reserves. For South Africa this is important, because the Gulf region continues to supply 70% of its liquid energy requirements.

¹ This paper was compiled by members of the Research Group of the SA Institute of International Affairs (SAIIA). It is based partly on fieldwork conducted by Dr Greg Mills, SAIIA National Director, during a research visit to Kuwait and Dubai in March 2003.

Economic data on the Persian Gulf					
	<i>GDP (\$ billion)</i>	<i>GDP per capita \$</i>	<i>Population (millions)</i>	<i>Defence spending as % of GDP</i>	<i>UNHD ranking /174</i>
Bahrain	\$6.9	\$16,060	0.645 (2001)	4.1	37
Kuwait	\$43.7 (1998)	\$18,700 (1998)	1.9 (1999)	11.3	46
Saudi Arabia	\$145.9	\$13,330 (2000)	19.49	11.3	73
Oman	\$16.3 (2000)	\$12,040 (2000)	2.4 (2000)	12.2	79
Qatar	\$7.5 (1999)	\$19,844 (1999)	0.584 (2000)	-	44
UAE	\$44.6	\$20,530 (1999)	2.72	2.5	48
Iraq	\$21.9	\$976	22.45	-	-
Iran	\$348 (2002)	\$6,000 (2002)	65.6 (2002)	4.8	106

Source: *UN Human Development Reports 2001, 2003*

Contemporary debate in South Africa concerning the Persian Gulf is dominated by perceptions — essentially of stances taken either ‘for’ or ‘against’ the coalition military action in Iraq — rather than by shared interests. Discussion is likely to remain dominated and defined by such perceptions unless efforts are made to alter the focus. The South African government has preferred to argue the case for diplomatic disarmament over that of military action in Iraq. In the short term this has had a negative impact on Kuwait–South African relations in particular, and to a lesser extent on other countries subject to US influence.

This paper examines the nature of current South African ties with the Gulf states — Bahrain, Kuwait, Saudi Arabia, Oman, Qatar, the United Arab Emirates (UAE), Iraq and Iran, and identifies areas in which there might be a conflict of interest and subject to ongoing change. It also suggests a number of new strategies for engagement. The debate which we hope will be generated by this article should

help focus the attention of the government and the private sector on the opportunities for South Africa that exist in the Gulf region.

The nature of South African ties with Countries in the Persian Gulf region

As will be seen from the figures quoted below, South Africa's ties with Gulf states are predominantly commercial. As mentioned earlier, the region supplies 70% of South Africa's liquid energy. This explains the serious imbalance in trade between South Africa and the Gulf states of Iran and Saudi Arabia. South Africa's exports to these countries cannot match its expenditure on oil. Also, because the government no longer purchases the oil required for South Africa, it is not in a position to influence the source of South Africa's liquid energy supplies. The major oil companies make their own purchasing decisions depending on availability, which is why South Africa's trade with other Gulf countries seems to fluctuate from year to year.

The total value of South African–Middle Eastern trade in 2002 was R28.502 billion. Only R3.964 billion of this comes from South Africa's exports to the region. While the sale of armaments features significantly in South Africa's exports to some Middle Eastern countries, it is reassuring to know that in the main South Africa's exports to the whole region are processed and manufactured goods. South Africa's trade with that region began to grow only after 1994. Before then, because of the sanctions against South Africa, whatever goods South Africa sold to Gulf countries were handled by third parties, and in such a way as to hide the true origin of the products. In the new dispensation, the sale of South African goods to the Middle East, and in particular to the Gulf, continues to grow each year. There is considerable potential to increase these sales even further, especially in view of the anti-Americanism that is prevalent in the region. Fulfilling this promise, however, will require an

intensive marketing effort from both official and private sources in South Africa. The anti-Americanism presents a threshold of opportunity that will not remain open for ever, which is why South Africa ought to give immediate attention to fostering better relations with the Gulf states.

Lack of knowledge about the region in South Africa (and *vice versa*), presents a serious challenge. Media perceptions in South Africa of the Gulf states tend to be clouded by political rhetoric and the Israel–Palestine question. On the other hand, in the Gulf countries, media reports about crime in South Africa are a serious deterrent to potential investment or visits from the Middle East, because by and large those countries offer adequate personal security to citizens, and are almost crime-free.

South Africa’s overall trade with the region could be boosted by improving the air and maritime links between South Africa and the major cities and ports of the Gulf countries. Supplying better air links would help boost tourism from the region to South Africa, but again this would require an accompanying increase in marketing by the tourism industry.

South African exports and imports to the Persian Gulf (R billion)						
	2000		2001		2002	
	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>
Bahrain	0.037	0.041	0.055	0.413	0.101	0.113
Kuwait	0.128	0.970	0.128	0.806	0.108	0.193
Saudi Arabia	1.021	14.135	1.039	14.977	1.368	12.497
Oman	0.055	0.002	0.050	0.217	0.193	0.018
Qatar	0.032	0.206	0.070	0.192	0.053	0.430
UAE	1.693	0.903	1.329	0.858	1.763	0.710
Iraq	0.031	0	0.027	0.545	0.010	0.914
Iran	0.500	8.133	0.471	8.841	0.372	9.667

All of the countries of the Middle East except for the Kingdom of Bahrain are now represented in South Africa. By the end of 2003, South Africa will have reciprocal representation in all of them, except Iraq, Lebanon and Yemen. Apart from the official South African representatives in the region, there are some 30,000 South African nationals who now live and work in the Middle East. Many South African companies also have offices in, or links with, the Persian Gulf. There are over 30 South African businesses in the UAE. Among them are Murray and Roberts, LTA-Grinaker, and Batemans in the construction field. A number of Dubai's new landmarks such as the airport have been built by these companies. Standard Bank has a commodity trading office there which has been responsible for the large increase in gold sales from South Africa to Dubai. Other South African companies established in Dubai include Ster Kinekor, Metrofile, Denel and Sun International. Recently it was announced that the Protea Hotels group was in the process of establishing a partnership in Dubai. Both Sasol and Standard Bank also have links with Iran, while in Qatar, Sasol is involved in a huge project with Qatar Petroleum to liquefy natural gas. This project alone is likely to attract a great many more South Africans to the region.

In most of the Gulf countries the military plays a significant role in government, possibly because there are few democratic institutions. Over many years the region has become a profitable arms market for countries from the West. During the last 12 years South Africa has also benefited from this market. Because of their reliance on the region for their oil supplies, Western countries have not put pressure on the oil suppliers to become more democratic. However, following the American-led invasion of Iraq, this could well change. The Saudi government's announcement in October 2003 that municipal elections will be held in the kingdom for the first time in 2004 indicates progress in this regard. Democratisation would present South Africa with an opportunity to broaden its links with those countries. As the immediate past Chair of the Non-Aligned Movement (NAM), South Africa currently has a high profile

internationally. This could allow it to act as an interlocutor on behalf of developing countries with the developed nations of the world, for example in the World Trade Organisation (WTO) Doha Round of negotiations (especially on issues such as market access for agricultural products). The countries of the Middle East respect South Africa for its successful transition from an apartheid regime to a democratic government that is accepted internationally and has one of the most advanced constitutions in the world. South Africa is in a good position to engage the Persian Gulf countries and help them to make the political changes that would bring them into line with currently accepted international norms for democracy. This would enable the Gulf states to avoid any pressure from developed Western countries to change their political structures.

Much current debate in South Africa concerning the Middle East is dominated by a particular ideological thinking: a combination of anti-Americanism and anti-Zionism. Public debate is also shaped less by business interests (which, as described, are significant and growing) than by sentiment over the war against Iraq and the bonds between the 850,000-strong South African Islamic community and the Islamic population of the region. Again, ANC relationships with governments in the Persian Gulf have had an influence on how formal links have developed. Some of these have been driven by a need to find financial support for the ANC. Two or three years ago there was talk in South Africa of trying to increase Afro-Arab cooperation, especially in relation to the countries of the Persian Gulf, because of the economic advantages this could bring to South Africa. Now that the invasion of Iraq is over, this goal should be revisited so that not only South Africa but the overall Nepad process can benefit.

Bilateral issues

Kuwait

Diplomatic relations between South Africa and Kuwait were established in 1994. Kuwait opened a residential Embassy in South Africa in 1997, and sent its only female ambassador to be the new Head of Mission. South Africa opened its residential mission in Kuwait in April 1998 with a Charge d'Affaires. The South African Ambassador to Saudi Arabia was accredited to Kuwait on a non-residential basis.

Given the Kuwaitis' own experience of Iraqi aggression in 1990 and their strong support for the present US-led coalition military action against that country, South Africa's attempts to urge Iraq to disarm and its regular pronouncements against the US have caused concern in Kuwait. Even before the invasion the Kuwaitis expressed their anxiety that South Africa was favouring Iraq over their country, especially in NAM meetings. Much publicity was given to South African visitors to Iraq; in contrast, apart from some visits to Kuwait by Minister Lekota and one by Minister Radebe, it seemed as if South Africa's high officials were ignoring Kuwait. Some analysts believe that South Africa's relations with Kuwait have sunk to a low level as a result.

The former Kuwaiti Ambassador to the UN (and now head of the Diplomatic Centre for Strategic Studies in Kuwait, Abdulla Bishara, has argued² that Iraq used all manner of tactics to deter and delay military action against it, causing splits in European and US public opinion. It also relied on countries like South Africa and Malaysia: 'South Africa had become a boisterous voice for support in the UN for Iraq'. Despite Kuwait's early backing of the ANC, Bishara sees South Africa 'along with Cuba, Libya, Malaysia and Zimbabwe', as promoting international radicalism and not 'reasonable policies'.

² Discussion, Kuwait City, 25 March 2003.

If such perceptions are not responded to they could cost South Africa dearly, given Kuwait's status as one of the largest Arab investors in the Republic today. Perhaps the differences of the recent past can be overcome. After five years South Africa has finally named an Ambassador to Kuwait. It is known that our armaments industry is trying to add Kuwait to its list of Arab customers. In July 2002, the Kuwaiti Deputy Prime Minister, who is also Minister of Defence, paid a high-profile visit to South Africa. The fact that the Council for Scientific and Industrial Research (CSIR) is now becoming active in Kuwait may also help persuade the Kuwaitis that the South African authorities, and not only South African companies, are beginning to pay attention to their country.

Kuwait, like any other Arab country, puts a high premium on personal contacts, and it is often only through such links that official relations can really grow. The Persian Gulf is a small region, and all of its countries watch carefully to see who visits whom. The Kuwaitis would be well aware of the many official South African visits made to Dubai and other Gulf destinations by government representatives who have not called on Kuwait. However, the Deputy Foreign Affairs Minister, Aziz Pahad, visited Kuwait soon after the end of the recent invasion of Iraq, which should have helped to repair relations with Kuwait.

Geographically, Kuwait is situated next to Saudi Arabia, the leading Arab country in the Middle East. As such the latter exerts considerable influence over its smaller neighbours. Saudi Arabia played an important part in helping to rescue Kuwait from the Iraqi invasion of 1990. This is another reason that Kuwait is always sensitive to Saudi interests when considering major diplomatic issues. On the same basis, the political aims of the US play a significant role in influencing Kuwaiti diplomacy, because of the part America played in the liberation of Kuwait. Also, owing to the defence pact signed in 1991 between Kuwait and the US, Americans have been operating in Kuwait for many years. As a result, they have

built up a high level of mutual confidence, something that South Africans have yet to do.

The South African Embassy in Kuwait has established a business-type council composed of South Africans living and working in that country, which needs to be supported in its commendable efforts to promote ties between South Africa and Kuwait. (The private sector often has access to significant contacts that the Embassy does not.)

United Arab Emirates

South Africa's first contacts with the UAE were defence-related. Early in the 1990s, Armscor, the predecessor of Denel, managed to close a lucrative contract to sell G6 self-propelled field howitzers to that country and established a very low-profile presence in Abu Dhabi. In October 1992 South Africa held its first trade exhibition in Dubai, organised by the South African Foreign Trade Organisation (SAFTO) and the departments of Foreign Affairs and Trade and Industry. Gulf Air started flying to and from South Africa in November 1992, and South African Airways added Dubai to its flight itinerary the following year. Formal diplomatic relations were established in 1994, and both countries set up residential missions in each other's capitals in 1995. The UAE Mission was led by HE Ambassador Ali T. Al-Suwaidi. The South African Embassy was initially under a Charge d' Affaires; it was only in October 1998 that South Africa's first Ambassador to the UAE took up his post.

The figures for South Africa's trade with the UAE show that it is South Africa's third most important trading partner in the Gulf region. It is also the only country in that region with which South Africa regularly maintains a favourable balance of payments, thanks to South Africa's annual arms exports to that country.

The UAE comprises seven Emirates (a detail known by very few South Africans). Thanks to the professional marketing work of

Emirates Airlines, Dubai is a city well known to many South Africans, although most of them are unaware that Abu Dhabi, and not Dubai, is the capital of the UAE. Dubai, known as the Hong Kong of the Middle East, is now 'home' to over 20 subsidiaries of South African companies. It is estimated that up to 5,000 South Africans live and work in Dubai, and the figure is growing every year. Dubai is the smallest of the seven Emirates that make up the UAE. Unlike some of the others, such as Abu Dhabi, Sharjah or Fujirah, Dubai has no mineral resources left. However, the Crown Prince of Dubai, Sheik Mohamed, who is also the Minister of Defence of the UAE, is a visionary ruler who has done more than most to help Dubai develop to the point at which it stands today. Not only is it the main trading city of the Middle East: it has become an important tourist destination and the hub of IT and media in that region.

Measured according to Western standards, the UAE would not be described as being a democratically governed country — it is more like a family-run business. In the Arab world changes tend to come slowly, and tend to be delayed until the passing of the older generations of rulers. However, its lack of Western-style democratic institutions should not inhibit South Africans from taking advantage of the huge economic potential that exists in that country. South Africa's being so under-represented in the UAE can be ascribed only to ignorance of what that country has to offer. In contrast, South Africa's military authorities have been building on the defence contacts established more than a decade ago. There is now a Defence Agreement between South Africa and the UAE. Looking at the value of our country's annual armaments exports to the UAE, South African public and private sector entities would be making a major mistake if they failed to investigate the vast potential market that the UAE represents.

Doing business in an Arab country differs from doing business in a Western country. In the former, personal trust is an essential

ingredient for the development and the maintenance of a successful commercial relationship. Achieving this usually requires many visits to the potential business partners in the country concerned. Strong personal links are not only necessary for private sector relationships, but are also required to strengthen and consolidate formal government-to-government bonds. South Africa needs to follow the example of Western countries by sending more Ministers to visit the UAE and other Middle Eastern nations. It is only by building up these personal relationships that ignorance of South Africa in those countries can be broken down. It is also the only way to counter the heavy influence that the US and EU countries wield through their trade and defence pacts with most Middle Eastern countries. The anti-Americanism in the region that followed the US-led invasion of Iraq may make it easier for South African companies to enter those markets, but this advantage is likely to be short-lived because popular resentment of the actions of the US and the EU is not officially supported by the governments of those Middle East countries.

As in Kuwait, there is a South African business group in Dubai. Owing to the number of South African companies represented in Dubai this is an effective body, which supports the Consul (Economic) in his efforts to promote trade and tourism links with our country. For the large number of South Africans living in and around the UAE, using these business groupings provides a way to overcome local misinformation about South Africa and help the official representatives promote South Africa's interests more effectively. Arab countries tend to do things on the grand scale, which South Africa, faced with limited resources, usually cannot match. It is therefore important to combine and co-ordinate the resources of the missions and the 'local' South Africans in these countries to promote our country.

Saudi Arabia

As the Custodian of the two Muslim Holy Mosques, Saudi Arabia is accepted as one of the leading countries in the Arab world. In terms of its large population and vast oil reserves, it represents a potential market of a size not found in many other countries in the Middle East. In Western terms, Saudi Arabia is considered very undemocratic (although the aforementioned holding of municipal elections in 2004 should be a step towards democratisation). For example, it is a country where women's rights are strictly limited. Its particular form of Islamic practice is also extremely conservative, and impinges on what Western countries would describe as basic human freedoms. Because of the information now available over the Internet and the fact that many of Saudi Arabia's younger generation have been educated in the West, intense and growing pressure for change in that country is being exerted by certain sectors of the population. Unless the present rulers move to accommodate these demands, internal political upheavals, similar to those that led to the Iranian Revolution of 1979, are likely. With half the population of 25 million under the age of 18 and with unemployment at 15% and rising, social instability is almost inevitable. To exacerbate the employment situation, 70% of the workforce is drawn from the 5.6 million expatriates resident in the kingdom.

Any constructive change will have to incorporate economic liberalisation, improved individual and religious freedoms, and a curbing of the profligate lifestyles of many of Saudi Arabia's 6,000 princes. Without reforms, the pillars on which the house of Saud's rule is constructed — US support, Islamic orthodoxy, oil wealth and the legitimacy of the royal family — could be undermined. The fact that 15 of the 19 9/11 hijackers were Saudi, combined with the 12 May 2002 and 9 November 2003 bomb blasts in the kingdom, show that Saudi Arabia, far from being immune to destabilising forces, may indeed become a target of these.

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In 2001 and 2002, Saudi Arabia was South Africa's biggest trading partner in the Middle East, owing to South Africa's oil purchases. In those two years there was also a significant increase in the amount of goods that Saudi Arabia imported from our country. That increase has continued and could be further exploited, if South Africa makes the effort to become better informed about Saudi Arabia. The major investment behind Cell C in this country comes from Saudi Arabia. The opportunity to attract further Saudi investments in our country exists, but requires a far more concentrated marketing effort in Saudi Arabia to promote South African trade and tourism potential. It is also needed to overcome the perceptions in Saudi Arabia that South Africa is a dangerous country because of its high crime rate. The promotion of trade in Saudi Arabia should be supported by visits from ministers and senior government officials. Because the private sector in Saudi Arabia is small, and because commerce in Saudi Arabia is still dominated by government-run or influenced organisations, Saudi business people like to know that their international partners enjoy the support of their own governments.

Although South African Muslims had been making pilgrimages to Jeddah for many years before 1994, diplomatic relations between South Africa and Saudi Arabia commenced only in 1994, to be followed in 1995 by residential diplomatic missions. South Africa also opened a Consulate General in Jeddah. South Africa's first Ambassador to Saudi Arabia, Dr Sam Motsuenyane, travelled to Riyadh in mid-1996. Former President Mandela has visited Saudi Arabia on several occasions, and President Mbeki once. Several

South African ministers have also visited Saudi Arabia, but many more reciprocal visits will be required to develop relations. Whilst some of the past visits have been linked to party politics, Saudi Arabia's current financial challenges (particularly the cash flow problems experienced by the House of Saud in the past few years) will mean that official visitors from South Africa will need to concentrate on technical or economic matters for the foreseeable future.

Doing business with Saudi Arabia requires patience and perseverance, as a number of South African companies have found out; but these qualities are usually rewarded. Regardless of future political developments in Saudi Arabia, it will remain an important oil supplier and a country with a growing internal market. As US influence declines in Saudi Arabia, South Africa needs to capitalise on the goodwill that exists towards it in that country. In order to do so, both the public and private sectors will need to pay increased attention to that country, and to issues such as improving transport links between South Africa and Saudi Arabia.

Iran

Of all the countries in the Gulf region, Iran has the largest population. Because half the population is under the age of 25, the demographics of that country will look very different within a decade. The population will continue to expand quickly for decades to come. This factor, coupled with Iran's mineral, oil and gas resources, makes Iran a potentially lucrative market. Iranians enjoy political and personal freedoms that are not found in other Middle Eastern countries except Israel, but unfortunately these can be overridden by the Supreme Leader if he deems it necessary. Another constraint is the current system of economic management by the Iranian government, which makes doing business with Iranians difficult.

South Africa's relations with Iran go back to the early 1970s, when reciprocal Consulate Generals were opened in Tehran and Johannesburg. Formal relations were suspended by the new Iranian Government in March 1979, but the Iranian Interests Office in South Africa did not close. This facilitated the opening of the Iranian Embassy in Pretoria in 1994 after formal relations had been restored. The new South African Embassy in Tehran was established in 1995.

For several years after 1994, Iran was the largest supplier of oil to South Africa. Saudi Arabia has since supplanted that position, but Iran continues to be the second largest supplier. However, there is a poor balance of trade. Because of the nature of the Iranian economic system, imports from South Africa continue to be limited. Our country's trade balance with Iran could improve, however, if both Sasol and PetroSA succeed in establishing themselves in that country to help the Iranians exploit their large natural gas reserves. The recent Iranian investment of R75 million in housing in Atlantis in the Western Cape is also a boost to economic relations between the two countries. Since 1994 a couple of large South African companies have tried to open subsidiaries in Iran, but eventually gave up because they found the Iranian way of doing business too expensive and too devious. Standard Bank has a small representative office there, but this has not led to a significant increase in commercial relations or induced many South Africans to settle in Iran.

In the days of the Shah, Iran was the undisputed regional power in that part of the world and enjoyed the backing of the US. Today things are very different. However, because Iran is a large country with a big army, its smaller Arab neighbours are wary of it. The Western countries, led by the US, continue to suspect Iran of harbouring political and military ambitions, and are suspicious of Iran's nuclear programme. The International Atomic Energy Agency (IAEA) set a deadline of 31 October 2003 for Iran to prove that its nuclear programme was strictly for civilian purposes. Before the expiry of the deadline Iran agreed to comply with IAEA demands

and to sign additional protocols to the Nuclear Non-Proliferation Treaty. This development is illustrative of the progress that Iran has made in normalising its international relations. Furthermore, one of the main tenets of Iranian foreign policy remains the idea of a Dialogue amongst Civilisations, which President Khatami proposed in 2000 and which was endorsed by the UN General Assembly.

Politically South Africa's relations with Iran are good, as is shown by the large number of agreements that have been signed between the two countries. Iran has also offered to send technical experts to South Africa to assist in making Nepad operational. South Africa and Iran co-operate well in international forums such as the NAM, but until it becomes easier to do business with Iranians directly, South Africa's exports to Iran are unlikely to increase significantly. Internal political developments in Iran are likely to influence its external relations and the development of its economy. This consideration, along with the cautious attitude of Iran's Arab neighbours, are all factors that South Africans will need to consider when they plan to do business with the Islamic Republic of Iran.

Qatar

The population of Qatar is small, yet because it has the world's largest reserves of natural gas, on a per capita basis Qatar is one of the wealthier countries of the world. The Amir of Qatar has great ambitions for his country, and is doing all he can to modernise it. He is also introducing Western-style democracy to his country, following in the wake of Qatar's neighbour Bahrain. The success of Dubai in moving away from a reliance on oil to become a trade and tourism hub also appears to be another example that Qatar is following.

In 2002, Sasol signed a joint venture agreement with Qatar Petroleum to exploit the huge natural gas reserves of Qatar. This is expected to expand commercial relations between South Africa and

Qatar, which in turn will result in an increase in the number of South Africans living and working in that country. Although diplomatic relations were established in 1994, South Africa's first non-resident Ambassador to Qatar presented his credentials to the Amir only in April 2000. President Mbeki, as the Chair of NAM, attended the Organisation of Islamic Conference (OIC) Summit held in Doha in November 2000. South Africa established a residential mission in Doha in October 2002, and the Qataris opened theirs in Pretoria at the beginning of 2003. When he visited President Mbeki in Cape Town in May 2002, the Amir of Qatar was the first Head of State from a Gulf Co-operation Council (GCC) country to pay a state visit to South Africa.

A number of agreements have been finalised between South Africa and Qatar. This, together with the opening of residential missions and moves to establish direct air links between Doha and Johannesburg, should contribute to better communication of information between the two countries, which in turn ought to translate into significantly increased commercial interaction. Improved personal relations between senior members of government on both sides will also strengthen links. South Africa needs to encourage Qatar on its road to full democracy so that it can serve as a model to other countries in the region, and to work with Qatar in international forums such as the WTO to ensure Arab support for initiatives from the South.

Iraq

Because of UN Security Council sanctions against Iraq, the first official contacts made by the South African government with the regime in Baghdad were made only in November 1996. Formal diplomatic relations were established in July 1998, prior to South Africa taking the Chair of NAM. Iraq set up a residential mission in Pretoria in December 1999, and sent its first Ambassador in mid-

2001. However, with the fall of Saddam Hussein's government in April 2003 he left South Africa.

South Africa does not have any representation in Baghdad, and up to the time of the American-led invasion used its mission in Amman, Jordan, to cover its links with Iraq.

A number of South African companies registered with the UN, and were therefore able to participate in the UN Oil for Food programme. Eskom signed a Letter of Intent with the Iraqi electricity authority, in terms of which it would help repair the electricity network in Iraq. However, despite many visits and official interventions, nothing really came of the arrangement. Some South African companies succeeded in obtaining oil from Iraq under the UN Oil for Food Programme, but not all of the oil was brought to South Africa for refining and selling. Most of it went to East Asia. Deputy Foreign Minister Aziz Pahad led two business delegations to visit Iraq in 1999 and 2001, but because of the UN restrictions little business resulted. The visits did, however, show South African business people the potential that exists in Iraq. South Africa's trade figures with Iraq show that despite the difficulties caused by the UN sanctions, some commercial interaction with Iraq has taken place during the last two years.

With its vast oil reserves, Iraq is potentially a rich country. South Africa ought to establish a presence there as soon as possible so that when normal economic activity resumes in Iraq, South African business is poised to take advantage of the opening. It can also build on the goodwill created by the humanitarian aid that the South African Muslim community delivered to the people of Baghdad after the invasion was over. Involvement with Iraq will be a long-term investment for South Africa, but it is likely to bring good returns. Unless South Africa ventures into Iraqi markets, no returns can be achieved. Personal contacts will be the only way to cure the ignorance about South Africa in Iraq and the misperceptions about

Iraq that exist in South Africa. Although the Americans will dominate the reconstruction process at first, opportunities for other countries should become available once the new Iraqi government is installed.

Oman

South Africa's contacts with Oman go back to the apartheid regime. Former Foreign Minister Pik Botha met the Sultan of Oman, and Armscor had contacts there. After diplomatic relations were formalised in 1994, the Omani Chamber of Commerce opened a Trade Office in Johannesburg. This office served as a consulate and diplomatic contact point. After South Africa accredited its Ambassador in Riyadh to Muscat, the Omanis accredited their Ambassador in London to Pretoria. Former President Nelson Mandela's last state visit was to Oman in April 1999. South Africa established a resident Mission in Muscat in October 2002, and appointed its first Ambassador to Oman in September 2003. Oman opened a residential Mission in Pretoria in September 2003 with a Charge d' Affaires as its Head.

South Africa and Oman are founding members of the Indian Ocean Rim organisation (IOR-ARC). As the statistics (on page 4) show, the level of trade between the two countries has not been very high. But with the opening of residential missions and the improvement of air links between Johannesburg and Muscat via Dar es Salaam, both trade and tourism should grow. Oman is still a traditional Arab country where personal contacts are very important. Having South African diplomats in Muscat will boost the small South African community in Oman, which has been doing an effective job of promoting South Africa. Other ways South Africa could boost bilateral relations with Oman would be to use their common membership of the IOR-ARC and the centuries-old Omani naval tradition as national interests both countries share.

In the past the Council on Geo-Science was active in Oman, which possesses significant mineral resources apart from oil and gas. This could give South Africa's mining industry a motive to become involved in that country. The Sultan of Oman is a progressive ruler who understands the need for reform in his country. He was also the first Gulf ruler to ensure that his own people did all the work that was needed (including the 'dirty' work such as street sweeping and taxi driving) rather than relying on expatriates from the Indian subcontinent. This presents South African companies with good opportunities for joint ventures and technological transfers. Fiscal prudence has paid dividends for Oman, and that country is developing at a steady pace. South African business could benefit once both countries have been convinced of the advantages each can offer the other.

Once again the new South African Embassy in Muscat needs to follow the example of the missions in Kuwait and the UAE to support and use South Africans resident there. This should help the Embassy to use its limited resources to boost the ties between Oman and South Africa most effectively.

Bahrain

Bahrain, a collection of islands, is the smallest country in the Persian Gulf. Its importance lies in its being the banking capital of the Middle East and its having been home to the largest US military base in the region for many years. After 1990 Bahrain was the first Persian Gulf country to have open contact with South Africa. The South African Deputy Minister of Trade and Industry paid an official visit to Bahrain in October 1992. This was followed by a reciprocal visit to South Africa the next month by the Bahraini Minister of Industry and Constitutional Affairs. South Africa opened a residential Mission in Bahrain in 1993, but this was closed in 1997 for financial reasons. South Africa now has only a Consular Agent in Bahrain. The South African Ambassador in Riyadh is accredited to Bahrain on a non-

residential basis. However, given the number of South Africans living and working there, and considering the growth in trade between the two countries, a residential mission may be re-opened within the next few years. Bahrain has never had any representation in South Africa, but then as a very small country it has very few representatives abroad.

Bahrain has become a trendsetter in the Gulf. In 2002, after a referendum, the Emir introduced a new constitution that turned Bahrain into a democratic kingdom, giving the franchise to both men and women in all elections. Apart from a very brief visit to Bahrain in April 1999 by former President Mandela to greet the new Emir, no senior South African government member had been to Bahrain before the Deputy Minister of Foreign Affairs, Aziz Pahad, visited in 2003. Apart from attending major international conferences in South Africa such as the NAM summit or the World Summit on Sustainable Development (WSSD), no senior Bahraini officials have visited South Africa since 1994.

The South African business community should see the potential benefit in investing in Bahrain, but as with other countries in the region, this requires personal contacts. Another reason that South Africa ought to pay more attention to Bahrain is that it is where all the major Arab banks are based. This might provide a source of investment funds for Nepad projects.

Multilateral issues

South Africa and the countries of the Persian Gulf are all members of NAM, and South Africa is now seeking observer status at the OIC. Efforts are under way to formalise a relationship between SADC and the GCC, to which six Gulf countries (Saudi Arabia, Bahrain, Kuwait, the United Arab Emirates, Oman and Qatar) belong. The GCC has been trying for a number of years to finalise a trade agreement with the EU. Since not all GCC countries are members of the WTO, this

gives South Africa an opportunity to assist these countries to finalise the Agreement with the EU and to join the WTO. South Africa and all the Persian Gulf states, as developing countries, share a common goal: that of persuading the EU to open its markets to their products. Formalising a relationship between SADC and the GCC would also help pave the way for trade agreements that would boost South Africa's trade opportunities in the region. Some of the Gulf countries (Oman, Iran, the UAE and Yemen) are already members of the IOR-ARC, which provides a further opportunity for South Africa to strengthen and diversify its links with the region. This might also help South Africa to address its principal objectives, which include poverty relief and promotion of the Nepad development goals.

In the nine years since May 1994, South Africa has begun to make its mark in the international community, and is learning how to use international fora to good effect. South Africa needs to consult all the countries of the Gulf more regularly, to ensure their support on issues of common concern. More visits by senior South African Government officials to these countries will assist this process and strengthen bilateral relations with each particular country. Until the overall importance to South Africa of the Gulf region is better appreciated, this will not happen.

What changes are likely to occur in the Persian Gulf?

At the beginning of this report, we forecast that the American-led invasion of Iraq would have a political effect not only on Iraq itself but throughout the region. Iraq has long been seen by the US as key to a vision of a stable Middle East (that is, one safer for American interests). A 1998 statement by the Project for the New American Century, a conservative Washington think-tank, co-signed by Donald Rumsfeld and 17 others, declared:³

³ *Financial Times*, 22 March 2003.

The only acceptable strategy is one that eliminates the possibility that Iraq will be able to use or threaten to use weapons of mass destruction. In the near term this means a willingness to undertake military action. ... In the long term, it means removing Saddam Hussein and his regime from power.

A post-Saddam Iraq was, according to this line of thinking, to be a model for the Arab world, from which a positive, reformist, modernising regional affect would radiate.

Now that Saddam is no longer in power, it is unclear what the longer-term effect on the region of this strategy will be, however, particularly given the ensuing difficulties in stabilising a post-Baathist Iraq. No one knows, of course, whether this overall strategy will achieve its reformist goals. Iraq offered a good target for US reformist zeal in the Middle East, as a rich country which could fund its own rebuilding; as one that allegedly possessed weapons of mass destruction (offering a pretext for involvement); and one with an extremist, brutal government based on a clan-based ruling structure.

The future of the US strategy for the Persian Gulf region is largely dependent on the success of the reconstruction of Iraq. As Shafeeq Ghabra,⁴ a professor of Political Science at the American University in Kuwait, has argued, 'The big challenge is going to be putting Iraq back together again, to protect Iraq from Turkey and from Iran, and to protect Iraqis from each other.' The US is also going to be very concerned to prevent the Iraqi Shi'ites from dominating the new political process in Iraq, because another Islamic-type government comparable to the one in Iran would be inimical to the democratic changes the SU wants to see in Iraq and indeed in the whole region.

The success of the US strategy also rests on removing other catalysts for regional destabilisation. This includes resolving the Israel-Palestine issue, which Arab analysts see as 'the Achilles Heel' of US

⁴ Discussion, Kuwait City, 26 March 2003.

regional policy. It also demands reform of the other governments in the region to remove, as Ghabra describes it, 'the rotten Arab *status quo* of disparity of power, too much ignorance, alienation of the young and too much corruption...[with] a new Iraq, all governments will have to reform to regain influence'. The extent to which the US will push for democratic reforms in the region remains to be seen. It will probably be influenced by the extent of the anti-American feeling in that region and their manifestation in discrimination against US markets in the Middle East. Only time will tell whether the US will decide to change another regime in the region.

What will these political changes mean for South African ties with GCC members and other Gulf states? Also, how will they affect the international relations that the Gulf states currently maintain with the rest of the world, and the developed world in particular? The effects of the Iraq war need to be seen in the light of economic developments in that region, which include the gradual reduction of the region's status as one of the world's major sources of oil. The extent to which Western-style 'democratisation' takes place, voluntarily or under pressure, will also influence the direction and development of relations between that region and the developed Western nations. Being a country of the South and therefore being independent of the developed Western nations, South Africa has a good opportunity to take advantage of these changes to strengthen its ties, both political and commercial, with the region on the basis of common interest.

Not business as usual

One of the changes that South Africa is likely to see is a shift in support for the ANC, which was allegedly funded by a number of Persian Gulf countries, including the UAE, Iraq and Saudi Arabia. This should not be allowed to diminish the interaction between South Africa and the Middle East. South Africa, and its private sector in particular, must take advantage of the opening up of Iraq and

other Arab countries. The changes may lead to a more transparent way of doing business in the region, but the need for personal contacts and the trust that comes through such contacts will persist. The region will continue to offer a large market to South Africa, and, in terms of the Nepad project, also offers good opportunities for investments and joint ventures which should not be ignored. It will however, take concerted effort to realise these possibilities.

Persian Gulf Militaries			
	<i>Personnel</i>	<i>Military Spending US\$m, 2002</i>	<i>Foreign Forces Deployed 2003</i>
Bahrain	11,200	331	US: 4,500
Iran	540,000	5,100	PRC and DPRK: 400
Iraq	40,000 ^a	n/a	US: 146,400, UK: 11,000, Poland: 2,300, Ukraine: 1,800, Spain: 1,300, Netherlands: 1,100, Denmark: 367, Philippines: 175, Portugal: 120, Albania: 100, Latvia: 145, Lithuania: 43, FYROM: 28. ^b
Kuwait	15,500	3,500	UK: 3,300, US: 38,160, Germany: 50
Oman	41,700	2,700	US: 270
Qatar	12,400	1,900	US: 3,300
Saudi Arabia	124,500 ^c	22,200	10,000 ^d
UAE	50,500	2,800	US: 570
a	Envisaged within three years, with a force of 12,000 to be created within the first 12 months.		
b	Apart from the UK and US, these are committed levels of force deployments rather than actual.		
c	Excluding a 75,000-strong National Guard.		
d	For 'Peninsula Shield', though US forces have withdrawn post-Iraq.		
Source:	<i>The Military Balance, 2003-2004</i> . Oxford: Oxford University Press with the International Institute for Strategic Studies, 2003. For the detail on the projected size of the Iraqi forces see Walter Slocombe, 'To build an army', <i>Washington Post</i> , 5 November 2003.		

Currently South Africa's four main trading partners in the Middle East are Saudi Arabia, Iran, Israel and the UAE. In the immediate future this scenario is unlikely to change, but in the medium term countries like Qatar or Kuwait could alter this picture. For the foreseeable future the region is likely to remain the main source of South Africa's liquid energy supplies, which is another reason for South Africa to recognise the potential of the region. The participation of Deputy President Jacob Zuma in the special World Economic Forum (WEF) Conference on the Middle East in Amman, Jordan, in June 2003 should be an indication to the countries of the region that South Africa regards them as important. Actions like this need to be followed up and built on. To quote from a speech made by President Mbeki in Parliament on 19 June 2003:

South Africa is linked to the rest of Africa and the world at large in many ways. We are not a small village stuck away in the middle of nowhere, which the world passes by and which does not even know that the rest of the world exists.

Effort will be needed to diversify South Africa's trade links with the region, beyond the obvious area of arms sales, though this is likely to remain an area of interest for some time as particularly the GCC states modernise their armed forces.⁵

Summary: A ten-point plan for deepening ties

In conclusion, different approaches should be adopted to improve SA–Gulf region ties.

- **First**, civil society relationships, including research and exchanges should be encouraged. This will have the effect of counteracting the political hyperbole on both sides, and lead to the creation of independent centres of expertise and analysis. It will also address the basic challenge of overcoming the mutual ignorance of the

⁵ See, for example, 'UAE procurement process', *Jane's International Defence Review*, March 2003.

other region that exists in both South Africa and the Gulf. Cultural connections and practices such as the Hajj (pilgrimage) links between South African Muslims and Saudi Arabia need strengthening, so that a deeper understanding of the other can be fostered on both sides.

- **Second**, inter-regional institutional linkages, notably between SADC and the GCC, should be strengthened to create a framework for broader co-operation. This is unlikely to result in improved flows of trade and investment immediately, but could provide a platform for study of such possibilities as the establishment of an inter-regional free trade area. The rhetoric surrounding Afro-Arab co-operation needs to be matched by practical actions, so that development goals in the Middle East and Africa can be achieved. Judging by the vocal support for initiatives such as Nepad at the last G8 Conference at Evian in France and the last ECA Conference in Addis Ababa, all parties are now ready for action.
- **Third**, priority should be given to improving and increasing the transport links (including frequency of airflights) between South Africa and the Persian Gulf region. This should be accompanied by increased tourism and trade promotion, so that the opportunities in the region can be exploited, especially while there is a high level of anti-American sentiment in the Middle East.
- **Fourth**, the vociferous rhetoric contained in governmental comments on the Israel-Palestine situation should be curtailed, especially now that South Africa is no longer the Chair of NAM. This will reduce the level of emotion that this issue has raised between the Islamic and Jewish communities in South Africa. If the two communities could talk to each other, more practical help could be given to the region. Working together, Jewish and Islamic communities could help boost trade and other relations with the region.
- **Fifth**, the issue of links with the Persian Gulf region should be raised in regular forums attended by both the public and private

sectors. Government cannot be expected to do everything to further co-operation. Only if there is a good partnership between the public and private sectors in this country will the potential of these connections with the Middle East states be understood and then fully realised.

- **Sixth**, the 'road map' that the US unveiled recently to set up a US–Middle East free trade area by 2013, aimed at bolstering peace efforts in the region and developing resources, should be promoted. For many years the US has seen the Middle East as a lucrative market for its products; so it is unlikely to let others take it over without trying to resist. Differences of opinion over politics in the Middle East are one thing, but trade competition in that region could complicate South Africa's relations with the US.
- **Seventh**, where possible, the South African diaspora in the Persian Gulf region should be brought into partnership with South Africa's official representatives, so as to use the limited resources available most effectively for promotional activities.
- **Eighth**, as mentioned in point one above, the respective governments should seek to build up a dedicated research capacity on the Gulf in South Africa and *vice versa*, both within and outside government.
- **Ninth**, government departments should develop and cultivate specialist expertise with a knowledge of the respective regions, cultures and languages.
- **Tenth**, closer ties should be forged between government efforts and business, such as through joint visits and participation in government policy-planning meetings.



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