

Middle East Mediterranean

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Middle East Mediterranean

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Middle East Mediterranean (MEM) is a bimonthly report of the *ELIAMEP Middle East Research Project*, focusing largely on geopolitical and economic developments, debates as well as policies, affecting the future of the Middle East. Having a global outlook MEM hosts analyses, commentaries, interviews and news, conducting research in the fields of politics, economics and culture in the Middle East and adjacent areas, such as the Eastern Mediterranean.

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Analyses

The Global Financial Crisis on MENA

Shalendra D. Sharma
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This article addresses the questions of why MENA was supposed to be immune to the US economic crisis contagion. The author highlights the cases of Egypt, Yemen and the UAE.

Initially, it was assumed that the contagion from the US triggered financial crisis would not spread to MENA (Middle East and North Africa) -- an economically diverse region that includes both the oil-rich economies in the Gulf and the resource-poor (in relation to population), such as Egypt, Morocco, Syria and Yemen, would either escape or successfully weather the worst of the crisis. But this proved to be false. Why was MENA assumed to be immune, and how did the crisis impact this diverse region. This brief note addresses this question.

The reasons for MENA's supposed immunity to the crisis varied. The prosperous oil-rich Gulf Cooperation Council (GCC) states who together control 45 percent of the world's oil reserves and 18 percent of the natural gas reserves and are awash with cash from the

skyrocketing oil prices invested in their well-endowed "sovereign wealth funds," seemed well-sheltered, if not invulnerable, to the fast-spreading subprime-induced crisis. On the other hand, for the hydrocarbon-poor MENA countries, their economic backwardness and relative isolation from the global financial and capital markets (minus the oil industry, the Arab world accounts for only 2.5 percent of world economic growth), was seen as their saving grace -- a shield against the vagaries of global financial turmoil. However, both these predictions have proven to be false. Real GDP growth declined across the region. Why?

The current crisis has unambiguously and painfully underscored that in today's globalized and interconnected world no nation is an island. In the MENA

countries, after an initial period of calm and seeming resilience, the economic turbulence reached both the oil-rich and oil-poor economies – albeit, the forces behind the contagion and the impact have been varied and uneven across the region. The following cases of Egypt, Yemen and the UAE illustrates.

The Egyptian economy has been impacted via a number of broad transmission channels discussed earlier such as global deleveraging and drop in export revenues, as well as country specific ones such the contraction in the tourism industry and sharp reduction in Suez Canal tolls and remittances from expatriate workers. The sharp decline in export volumes to the Euro Area, East Asia and the United States has hit Egypt hard. Similarly, tourism which is the country's major foreign exchange earner (bringing in some \$11 billion dollars in 2007), and contributing 8.5 percent of Egypt's GDP has experienced a significant decline since mid-2008. According to the Egyptian Ministry of Economic Development, "each tourist dollar spent ultimately generates \$4 or \$5 in income" – showing a strong correlation between incomes and tourism. Similarly in fiscal 2007-2008 (end-of June 2008), remittances from Egyptian expatriate workers (the vast majority work in the oil-rich Gulf countries) send about \$8.56 billion to the home country. However, the economic

crisis has forced a major retrenchment with massive layoffs of emigrant workers. In fact, thousands of workers from Egypt, Yemen, and the West Bank and Gaza (among other countries) have already returned "home" from the Gulf – adding to the ranks of the unemployed. However, rising unemployment is not only a huge challenge for Egypt, but all MENA countries as they are characterized by large and rapidly growing working populations because of a demographic bulge in the 16-24 year range.

Exacerbating Egypt woes has been the loss of revenue from the Suez Canal. Despite concerns about pirates off the Somali coast, the waterway earned a record \$5.2 billion in 2007. However, the shrinkage in global trade and the resultant drop in the numbers of ships using the canal have led to a sharp drop in toll revenue – which stood at \$301.8 million in February 2009 - a 25 percent decline compared to the \$408 million in January 2008. Moreover, plunging exports of manufactured goods to the United States and the European Union (EU), and food exports to the EU and the MENA region have exacerbated the problem of falling revenues and growing unemployment. Overall, the country's real GDP growth fell by 2 percentage points in 2008/09 and the IMF projects a further decline to

about 4½ to 5 percent in 2009-10. In mid-2008, Egypt experienced an abrupt reversal of portfolio flows as foreign investors pulled-out of the equity and government bond markets.

Yemen is highly vulnerable to commodity shocks as it is an importer of food and inputs, and depends heavily on remittances from workers in the Gulf, and FDI in the form of official aid. In fact, the case of Yemen confirms the empirical evidence that aid is procyclical with donor incomes. Moreover, domestic financial institutions have limited deposits and liquidity. Therefore, unlike its resource-rich neighbors, Yemen does not have the wherewithal to meet revenue shortfalls. This means that Yemen has been unable to put in place a vigorous fiscal stimulus to respond to the economic downturn. As a result, the crisis has hit Yemen particularly hard. Already, the loss of revenue from returning workers have placed great pressures on government expenditures, as have declines in donor assistance and tighter external financing conditions. This has translated into ballooning fiscal deficits, pressures on the balance of payments and overall worsening of the country's budgetary position. If unemployment and poverty levels continue to increase, it could have adverse implications for social and political stability.

In the oil-producing countries where export of hydrocarbons is the single most important determinant of economic success, the rather abrupt drop in oil prices (from \$147 per barrel in July 2008 to \$38.60 per barrel in December 2008), was an ominous sign. In addition, several sovereign wealth funds in the Gulf region have suffered heavy losses on equity investments following the sharp slide in stock markets in 2008. It is believed that the Abu Dhabi Investment Authority (ADIA) has lost an estimated \$125 billion in 2008 after the credit crisis sharply cut asset prices. It is estimated that the SWFs and foreign-currency funds of the Gulf Cooperation Council has lost about 27 percent of their assets -- or \$350 billion in 2008 alone.

Compounding this was the Emirates (especially Dubai's) real estate sector's potential exposure to global markets. UAE banks and financial institutions in partnership with foreign subsidiaries had engaged in rampant speculative lending in real estate. Indeed, over the past decade, the UAE via its quasi-government companies (including, Nakheel, Emaar and Dubai Properties), invested billions in its property sector in an effort to diversify its economy and reduce dependence on the oil industry. However, the collapse of real estate undermined the UAE's economies. 

Time to Reconsider the West's Policy on Iran

Thanos Dokos, Ph.d

*Director-General, Hellenic Foundation for European & Foreign Policy
(ELIAMEP)*

The analysis highlights various aspects of the strategic issue of Iran's nuclear programme. The author suggests that the international community should adopt a more balanced approach to Iran and address Tehran's concerns. Also the West must be able to employ the "carrot and stick" policy to Iran more effectively.

Dealing with Iran's nuclear programme is undoubtedly the most critical strategic question in the proliferation field and a very important issue on today's international security agenda. The regional security problem is not limited to the nuclear issue, but this is perceived by Western countries, and probably by some of Iran's neighbours, as being the most pressing security concern.

Even if one disagrees with the more dire predictions about the impact of Iran's acquisition of a nuclear weapons capability for regional and international security, scenarios range between bad and worse and there is an urgent need to resolve the issue. However, there appears to be very limited scope for progress in negotiations about the 'nuclear file' and we are slowly sliding towards a military conflict with potentially disastrous consequences.

Is there a way out of this impasse? If one accepts that the nuclear issue is very important but not the only or the central issue in the relationship between Iran and the West, then the objective should be the overall improvement of relations, with resolution of the nuclear issue being one of the results of the rapprochement, not a precondition. Military action must be viewed as a component of a comprehensive strategy rather than a stand-alone option for dealing with Iran's nuclear programme. Furthermore, sanctions should continue to be used as a tool of pressure against Iran, albeit not as the central element of the West's strategy. The critical element should be engagement.

Christoph Bertram and several other scholars have been arguing that a nuclear issue-focused strategy and the 'demonization' of Iran have inflated the value of these

capabilities, and strengthened the hardliners. The West, it is argued, should “return to a sense of proportion” and “re-enlarge the zoom” of its relations with Iran, which is too important for the West to be reduced to the nuclear issue. Other issues and problems in relations with Tehran should come into the equation in a ‘grand strategic bargain’ to resolve all outstanding questions. A key question, therefore, is “what are the topics that should be discussed”? What are Iran’s priorities and expected gains from such comprehensive negotiations with the U.S. and Europe?

Iran does not want to be seen as a pariah state and be diplomatically and economically isolated. It is also argued that in order to solidify recent strategic gains, Iran needs to reach some accommodation with the U.S., as well as its Arab neighbours. Therefore, key issues on the Iranian agenda would probably include the re-establishment of diplomatic links, which would offer much-sought legitimacy to the regime, and normalization of relations with the U.S. and the EU, acknowledgement of Iran’s regional role (although this would almost certainly cause strong reaction from Arab Sunni states, especially Saudi Arabia and should not be done at the expense of other countries), some type of guarantees for regime survival, and access to

Western (mainly European) sources of investment.

The willingness of the West to engage Iran into diplomatic talks across the board, without any preconditions, should be expressed. Common interests and opportunities should clearly be presented. The emphasis should on possible gains for all sides involved. At the same time, a number of ‘red lines’ should be clearly defined (admittedly, not an easy exercise) and presented to the other side, as well as the possible costs of the continued confrontation, including the cost of missed opportunities.

Of course, even if Western governments are willing to engage into such a unilateral diplomatic exercise, it will not to be easy to sustain the process in the absence a positive Iranian reaction, which may not be immediately forthcoming as Iran’s domestic political scene is extremely complex, and actors have multiple agendas. Several centres of power are involved in the design and execution of Iranian foreign and military policy, whereas consensual style and the opaque nature of the decision-making process complicate the situation even further. And time will also be a critical factor.

On the nuclear issue, one should explore the merits of the idea put forward by Gareth Evans who proposed the abandonment of the ‘zero enrichment’ goal in favour of a

‘delayed limited enrichment’, with the wider international community explicitly accepting that Iran can enrich uranium domestically for peaceful nuclear energy purposes. In return, Iran would agree to phasing in that enrichment programme over an extended period of years, with major limitations on its initial size and scope, and a highly intrusive inspections regime (the proposal for the creation of a regional/multinational enrichment centre should be re-introduced). Thus, the Iranian regime would be able both to claim to its domestic audience that it did not wield to U.S. pressure, and appear internationally as a responsible power.

Beyond resolving the nuclear impasse, there is a need to address the regional security vacuum and create a new comprehensive regional security system in the Gulf region. A number of confidence-building measures could be discussed such as:

- a regional security forum, with annual meetings for heads of states, foreign, defence, finance and interior ministers;
- prior notification of and exchange of observers in exercises;
- joint exercises and arrangements for disaster relief in the case of natural and man-made disasters;

- Confidence-Building Measures (CBMs) for the prevention of incidents between naval and air forces respectively;
- joint Search and Rescue (SAR) arrangements; cooperation regarding trafficking, drug-trade, and border security issues.

Europe’s experience with similar arrangements, although in a quite different context, could be useful in the early phases of discussions for a regional security system. In this context, it has also been suggested that, as there are strong local and regional dynamics, Gulf states should begin to take ownership of the regional security process and put forward local initiatives.

The international community’s negotiating strategy should consist of a skilful synthesis of readiness to accommodate Iran’s legitimate concerns and integrate that important country into an inclusive regional security system, accompanied by concrete incentives, together with reasonable timetables and a clear understanding of the possible consequences for Tehran if it continues its spoiling actions in the Gulf region and the wider Middle East.

Comments

Cyprus and Palestine in a New Geopolitical Context

Evangelos Venetis

The Middle East Research Project, ELIAMEP

The main argument of this commentary is that Greece must be involved further in developments regarding Palestine in order to balance Turkish efforts to win hearts and minds in the Arab world regarding Cyprus.

In the last three years the formation of new alliances in the Eastern Mediterranean following the disruption of Turkish-Israeli strategic ties was a turning point as far as Greek strategic planning in the Middle East is concerned. In a region where Athens was never particularly active, the call of Tel Aviv for the development of cooperation with Athens and Nicosia was a major geopolitical development through which Israel has engaged Greece indirectly in the geopolitical game of the Middle East, that of Arab-Israeli conflict. So far, at a time of Greek financial failure, Athens has cautiously promoted Greek-Israeli cooperation in energy and military terms. Yet Athens and Nicosia have not paid enough attention to the impact that their cooperation with Israel has on the Arabs and how this impact can be related to the Arab view of the Cyprus issue.

In this process Turkey has been active in promoting the recognition of the pseudo-state of the occupied northern part of Cyprus in the Organisation of Islamic Cooperation (April 8, 2012), particularly amongst the Arab states in the Eastern Mediterranean; this is an important diplomatic development for the Cyprus issue. The fact that Turkey enjoys a high economic profile in the region and Ankara is quite active in supporting the Palestinians at a certain degree brings Turkey to an advantageous position in order to give momentum to Turkish policy on Cyprus amongst Arabs.

On its part, Greece must develop a communication plan to inform Arab states of the Mediterranean and in general about the context and level of cooperation with Israel and to have a clear stance regarding developments in the

Palestinian issue. Athens's role is quite delicate due to the fact that Athens must maintain a special relationship with Israel and on the other not to lose the diplomatic momentum in the case of Cyprus in connection with the Arab world.

Yet, the challenge for Athens in this process is not only to stabilize the relationship with Israel but mainly to thaw Greek-Arab relations in the Eastern Mediterranean. A

precondition for the strengthening of Greek-Arab ties is the balanced engagement of Athens in the Arab-Israeli dispute in order to secure Athens's role as a stabilizing power in the region and to maintain past diplomatic gains amongst the Arabs with regard to Cyprus. Let's make it clear; as long as Greek-Israeli ties become stronger, Athens cannot remain indifferent to developments in Palestine and the Arab world.

Greece, China and the Libyan Crisis

George Tzogopoulos, PhD
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By highlighting the constructive role of Greece in regard to the evacuation 13.000 Chinese citizens from civil war-torn Libya to Crete last year, the author encourages the Greek foreign ministry to increase various low-cost activities in the North Africa and the Middle East in order to boost its geopolitical presence in the region.

The traditional European orientation of Greek foreign policy does not entail the Hellenic Republic has avoided to strengthen its bilateral relations with other countries. The case of China constitutes a significant example. It was in November 1979 when Constantinos Karamanlis visited Beijing - the first official visit of a Greek prime minister in the capital of China - and crucially contributed to the beginning of a new era in the relationship of the two countries. Similar expectations would be only cultivated approximately three decades later, during the administration of Costas Karamanlis as well as that of George Papandreou.

Co-operation between Greece and China has been recently expanded on various areas and issues. Shipping and investments such as the concession of Piraeus port pier II to COSCO, naturally, take the lion's

share. Nevertheless, there are additional occasions confirming the spirit of solidarity. During the Libyan crisis, for instance, the Hellenic Republic played a catalytic role in helping with the removal of Chinese nationals. In particular, Greek vessels undertook voyages from Bengazi and Misurata to Crete where the evacuees could board special flights and travel back to their country. Approximately 13.000 Chinese people flew home that way.

Ambassador of China to Greece at that time, Luo Linquan, publicly appreciated Greece's mobilization during the humanitarian crisis stemming from instability in Libya. He also said that this co-operation would certainly enhance bilateral ties. The role of Greek government was not only limited to the quick transportation of Chinese people to Crete but also their short stay on this island. Local authorities were ready to offer

accommodation to evacuees. As *China Daily* reported, although hotels had been scheduled to open in April 2011 in Crete, twenty of them were used because of the emergency situation. Chinese people were warmly welcomed and enjoyed the values of Greek hospitality. In parallel, bureaucracy concerning customs procedures was overcome facilitating their stay and transportation.

The assistance provided by the Greek to the Chinese government during the Libyan crisis can be placed within the framework of a humanitarian operation. Its significance, however, is broader and goes even beyond the improvement of the bilateral relationship of the two countries. Although a small state like the Hellenic Republic can hardly influence developments at the international arena, it can still invest

in creative diplomacy and have its voice heard at the world stage. Greece's geographical location in the Mediterranean Basin and specifically its proximity to North Africa and the Middle East provide a useful basis for initiatives as the one Athens undertook helping Chinese evacuees.

In spite of the economic crisis, which certainly affects the quality of foreign policy, there is still margin for additional, relatively low-cost activities. As instability dominates the North Africa and Middle East region, similar opportunities might arise in the near future. The Hellenic Republic will certainly benefit by improving its international profile a few months after its official default. In the final account, it can only gain from its increased co-operation with other states, and especially with an emerging superpower such as China.

Pan-Turkism and Islam: Compatible in Practice

Stefanos Kordosis, PhD
University of the Aegean

According to historical and ethnographical evidence, it is suggested in this note that the concepts of Islam and Turkish nationalism are compatible.

Pan-Turkism is a romantic national political ideology developed during the 19th century in the Austro-Hungarian Empire, in a dialectical opposition to ideologies, such as Pan Slavism or Pan-Germanism. Today it is considered as a radical expression of Turkish nationalism and as incompatible with the modern Islamic movement in Turkish politics.

The Pan-Turkist perspective of history stipulates that all Turkic nations were united in the past, forming the khanate of the Turks (c. 552-744 AD). This provides the legitimacy of the political aim of the ideology, which is the political alignment of the modern Turkic nation-states and ethnicities.

However, historical and ethnographical research has revealed that nomadic empires (including the khanate of the Turks) lacked political unity. This was the result of their political organization which was structured on independent, although confederate, hordes (known as kaghanliks), for which the notion of

politics was based on blood relations/kinship (either real or fictitious).

Pan Turkist historiography is based on modern theories about nations as political phenomena, where language (mainly) is the spiritual bond between humans that provides the foundation for the creation of a state, while remaining silent over the political pluralism of the Turkic hordes in the middle ages. Pan Turkism is based on the fact that the early Muslim (Arab or Persian) authors describe the nomadic nations, in general, as “Turks”, making no discriminations on the usage of the ethnonym.

In fact, the Arabs in the first centuries of their presence in Central Asia (7th -9th cen.) used the ethnonym “Turks” as a general description of the nomadic nations. Most of these nations were confederates, forming the khanate of the Turks, although they kept their political autonomy in parallel. At that time they were the most formidable enemy of the Caliphate as

they raided its new territories and instigated revolts of the newly conquered sedentary peoples. It was natural for the Arab authors, who had not yet formed a clear picture of the steppe peoples and their politics, to name them after the most famous horde of the steppes at that time, the Turks, and, thus, to describe a solid enemy. This was reinforced by the fact that in order to assess the political situation of the steppes, they were relying on Persians as local agents who, had known the Turks for over two centuries, as one of the main enemies of Sassanid Persia. Consequently, the usage of the ethnonym Turks in early Islamic sources was so broad that even non-Turkic nomadic nations of the steppes were named after them.

It was during the Great Game era that this ethnonym, so broadly used by medieval Muslim sources, acquired its modern political and national value. As the British were trying to figure ways to halt or preempt Russian advance towards Central Asia and, especially towards Persia and India, where British interests were at stake, they came up with the idea of a buffer zone, made of those independent hordes of Central Asia that were described as Turks by the sources. Constantinople, the capital of the

Ottoman Empire then in search for a new ideology that would help overcome its internal and external problems, was the best place to begin the implementation of the project as it was close to these areas, sharing racial and linguistic affinities. Thus, from 1850 Turkism became another movement in the political stage of the crumbling Ottoman Empire, along with Islamism and Ottomanism. Eventually in 1908 it rose to prominence.

From that moment and especially after the establishment of modern Turkey, Turkism gave new dimensions to the ethnonym “Turks”. It provided it with a political continuity that transcends time and space, as it mirrored the current feeling of national unity of the modern Turkish nation not only in the past and in the future but also in societies outside the borders of the Turkish state. Pan Turkism became, in this way, just another interpretation of Turkishness, i.e. of Turkish nationality.

In theory Pan Turkism is completely incompatible with the Islamic movement in Turkey – as radical nationalism –, but in practice it has deep roots inside the Islamic view of the world, leaving space for a person to pursue both an Islamic agenda and a Pan-Turkist one. 🇹🇷

Focus on *Arab-Greek Economic Ties*

In times of economic uncertainty for Greece, attracting investments from the Arab world is a priority. Also the Middle East is an area of thriving development and poses a challenge for economic activity for Greek companies. The Arab-Greek Chamber of Commerce plays a central role in this process.

Having these in mind, Mr. Christos Folias, the President of the Arab-Greek Chamber of Commerce, a successful businessman and former Minister of Development highlights various aspects of Arab-Greek economic collaboration and is optimistic about their future.

Q: *What do you think of the current status of Arab-Greek economic ties?*

A: The reality Greece is experiencing at the moment is that of uncertainty, investment hesitation and lack of cash flow. This climate is disastrous for all types of business activity. The business community within the Greek borders and beyond is eager for positive developments, which will allow to jumpstart the Greek economy and facilitate entrepreneurship.

The attraction of foreign investment becomes a top priority and its necessity should be served by a consistent strategy that will set as a prerequisite a stable business and tax environment for companies with clear regulation and competitive advantages.

In this effort, the contribution of Arab investors could become a catalyst for the economic development of Greece. The Arab interest for investment in Greece is very real. In 2011 two of the biggest foreign capital investments in Greece came from Qatar: the merger of Alpha Bank with Eurobank with the

participation of Paramount Services Holding Ltd and a mining investment project in Halkidiki with the participation of Qatar Holding.

These are just two examples demonstrating how serious Arab funds are when it comes to investing in Greece. Moreover, during our recent business mission to the United Arab Emirates and Kuwait (3-8 December, 2011) the feedback we got after numerous Arab-Greek B2B meetings was very positive regarding potential business deals in the future.

Q: *Are Greek companies active in investing in the Arab world? What are their main areas of interest?*

A: According to the latest official data from the National Statistical Authority, Greek exports to the Arab world countries increased by 111,04% in the first 7 months of 2011, amounting to USD 1.56 billion (USD 0.74 billion over the same period in 2010). Greek imports increased by 7.54% over the first 7 months of 2011, reaching USD 3.17 billion (compared to USD 2.94 billion

over the same period in 2010). The trade balance for the same period in 2011 fell to USD 1.60 billion (USD 2.20 billion in 2010) reducing the trade deficit for the country. Yet, there is still much that needs to happen in order to improve those figures with mutual benefits for both sides and we are working hard towards this.

Greeks invest consistently in the Arab world countries. Especially now, during a time of crisis, their activity has increased in sectors like trade, shipping, constructions and building materials, banking, information and communication technologies, transport, the food industry, irrigation systems and energy. In the last few years Greek businesses have been increasingly operating in Egypt, Libya, Algeria, the United Arab Emirates, Saudi Arabia, Syria, Tunisia, Jordan, Qatar, Kuwait and Lebanon.

Q: *Your role for Arab-Greek economic collaboration is crucial. What are the difficulties you face to promote this effort?*

A: The most important obstacle we are facing is the lack of entrepreneurial credibility of Greece in the eyes of the world because of its complex, outdated and highly volatile business environment, which causes a serious ‘headache’ to potential foreign investors. The goal should not be for Greece to become better than before, but better than the other competitive countries.

If Greece wants to regain its entrepreneurial credibility, it must guarantee to the Arab business community an effective investment

framework, canceling long existing malfunctions in the State mechanism and eradicate delays that have established a bad precedent. I believe that the “key” in this effort is the institutional upgrade of the Arab-Hellenic Chamber of Commerce and Development and the effective coordination of a fruitful collaboration with all State Agencies and Bodies throughout the entire range of Public Administration services.

The uniqueness of the Arab-Hellenic Chamber of Commerce and Development must be highlighted as the Chamber that links the Greek business community not only with one but with all twenty two (22) Arab countries. The Greek State should make the most out of the unique business bridging platform we offer between Greece and the Arab world.

Q: *What are the difficulties that Arab investors face in Greece? How can we overcome these difficulties?*

A: The Arab-Hellenic Chamber of Commerce and Development is monitoring business activity between Greece and the Arab world and receives feedback from all sides. The most usual complaints by Arab businessmen are the obstacles they face because of Greek ‘red tape’, the dysfunctions of the Greek State administration and the delays for almost every request they might make. Furthermore, the investment and tax environment within which they are called to operate in Greece is not facilitating their business operations.

The Arab-Hellenic Chamber is pushing through a series of reforms

necessary to guarantee to the Arab investors' community an effective investment framework, canceling long existing malfunctions and delays that have established a bad precedent. We have sent to the Greek government a complete set of proposals that will facilitate the attraction of Arab funds, like the official recognition of the Arab-Hellenic Chamber of Commerce & Development as a certified "one stop shop" for serving Arab investors, facilitating the realization of every Arab investment, independently of size, in a productive and effective way.

In June 2012 we are organizing the "Arab-Hellenic Economic Forum" that will serve as a first class opportunity to develop bilateral relations with countries of the Arab World and as an incubator for tangible business deals between Arab and Greek businessmen. In the same spirit we are working towards the establishment of Greece as a modern "Business Gateway to the Arab World" that will provide logistical support, strategic preparation for investment in the Arab World and business contacts locally.

Furthermore, among our key proposals is the adoption of a series of tax exemptions that could boost commercial and investment relations between Greece and the Arab World countries. Therefore we proposed the reduction of corporate income tax for Arab owned companies for 2012 onwards from 20% to 15%, in order to attract Arab businessmen and investors to operate in Greece. At the same time we are pushing forward towards the signature of Treaties for the Avoidance

of Double Taxation between Greece and all Arab States.

Q: *What piece of advice would you give to the prospective Greek companies wishing to invest in the Arab world?*

A: In such an endeavor the key is to be sufficiently extrovert, to research the opportunities offered and select the appropriate Arab business partner. This is what leads to the most successful synergies and seals profitable and long lasting business deals. There are plenty of opportunities in an economic crisis and they should be explored. Businessmen need to be daring and take some calculated risks.

Difficult times demand audacity and determination. In this situation, it is the task and duty of everyone in the business community to point the way out of the crisis. We possess the knowledge, the capacity and hopefully the determination to act immediately in a focused and concise manner to boost trade, to revive our national economies and to bolster the long lasting relationships between our country and the Arab World.

Q: *What is the impact of the Arab spring in the Arab-Greek economic ties?*

A: We are experiencing political change in many northern African countries and in the Middle East, where a new status quo is being formed and several new factors need to be taken into consideration for all future decisions. This is interpreted by certain people as a refraining factor for trade and business activity. However we should be focusing

on the day after this process of change and the business prospects it offers. I believe that the so-called ‘Arab Spring’ offers a great opportunity for strengthening the Arab-Greek economic relations and that we should seize it, as there will be mutual benefits for Greece and the Arab countries concerned.

In the light of recent developments, achieving and maintaining stability in these countries should be among the top priorities in order to support a rapid return to a healthy and profitable entrepreneurship. In this effort, unity is essential and all parties involved need to act together with all their energy and resources, fostering a dynamic future that will allow Arab-Greek business relations to emerge from the crisis even stronger.

Q: *How do Arab investors view the Eurozone crisis in Greece? Do they view this crisis as an opportunity for boosting or diminishing economic activity in Greece?*

A: The impact of the crisis is not only psychological, it has very real economic consequences, as it affects bilateral and multilateral business and trade relationships between southern European countries, like Greece, and the Arab world. The new reality we are facing constitutes a challenge for all of us involved in the region’s economy. That is, of course, if we desire to bring back stability and economic growth.

Where a crisis subsists for most people, there are also opportunities for the few daring ones. Arab investors seem to opt for the latter. However they are more cautious than in the past and

they are far more demanding before concluding a deal, mainly because of the lack of a stable economic environment and foreseeable financial prospects, besides the bad picture of all Greeks painted by some of our leaders.

Q: *Are you optimistic about the future of the Arab-Greek economic relations?*

A: Yes, I am optimistic because the messages of business interest I receive from both the Arab and Greek sides are positive. However, Greece needs to step up its efforts to create a more business-friendly environment facilitating the inflow of Arab capital for investment. We must move faster in reforming and creating an appealing business environment for foreign investors, or else the interest in Greece will cease to exist and other countries in our region will benefit from it. I understand that these reforms are among the top priorities of the Greek government and that serious efforts are made for their rapid implementation. However we need to move with a faster pace.

I can assure you that the Arab-Hellenic Chamber of Commerce & Development will continue to provide a solid bridge between the Greek and Arab business communities, thus assuring great scale business deals with mutual benefits.

Q: *In your opinion, what are the steps that your chamber needs to take further to bolster Arab-Greek economic ties?*

A: The Arab-Hellenic Chamber of Commerce & Development is loyal to its members and its mission to promote

and facilitate closer ties between Arab and Greek businesses. We will continue to seek a more central and active role in attracting Arab investment in Greece, in full collaboration with the Greek State authorities. We possess the experience and the knowhow to help the Greek economy make the most out of the opportunities arising in the Arab world.

At the same time, we will do whatever is necessary to increase the Arab capital inflow to Greece. In order to be more effective and immediate in our task, we need to be granted an upgraded role by the Greek State. This will be crucial for our success in helping the country significantly to exit the crisis. 

Monitoring the Middle East

Afghanistan

Qatar to engage Afghan political sides in dialogue (4 April 2012)

According to Khalid b. Muhammad al-Attiyah, Bahrain's State Minister for Foreign Affairs, Qatar will open an office for the Taliban in Doha in order to promote communication between all Afghan factions and boost the peace process.

Bahrain

Bahrain demonstrators demand the release of jailed activist Khwaja (12 April, 2012)

Bahraini demonstrators have taken to the streets in the northwestern town of Sitra, demanding the release of the human rights activist Abu 'l-Hadi al-Khawaja who holds Danish and Bahrain nationality, was sentenced to death in June 2011 for over inciting protests against Manama.

Comment: The ongoing Bahrain Crisis is expected to deteriorate further with the Shiites displaying special resolve to achieve their political goals. Manama's decision to hold the F1 Grand Prix despite the political crisis is expected to provoke further Shiite demonstrations.

Bahrain hosts air drills with US and Arab allies (9 April, 2012)

Manama said that the US and eight Arab countries took part in the largest air force exercises in more than two decades. Amid heightened regional tensions over Iran's nuclear programme Around 100 warplanes were taking part in the drills on Sunday.

Cyprus

Nicosia rejects British initiative (10 April 2012)

The republic of Cyprus turned the British initiative of a "quasi" quartet, among the two communities in Cyprus, Greece and Turkey during the EU presidency in the second half of 2012. According to Nicosia, the British initiative aims to favor Ankara which threatens to interrupt the Christofias-Eroglu negotiations.

Egypt

Islamic Brotherhood presidential candidate to promote Islamic law (7 April, 2012)

Khairat al-Shater, the Brotherhood's presidential candidate has announced his intentions to implement the Sharia, once elected, stating that this is his, "first and final goal."

Egypt-Israel gas pipeline targeted for 14th time (9 April, 2012)

An Egyptian gas pipeline crossing the Sinai Peninsula in al-Arish to Israel and Jordan was attacked and damaged once again in a major explosion since January 2011. The assault occurred in the Mediterranean coastal town of al-Arish.

Comment: Deteriorating security in the Sinai Peninsula reflects Egypt's destabilized domestic political life.

Greece

Greece, Israel and USA in joint naval exercise (1 April, 2012)

Israel, the United States (Sixth Fleet) and Greece held a naval exercise in the Mediterranean Sea. The drill called "Noble Dina," involved simulations of anti-submarine and air warfare, and protection of offshore natural gas platforms.

Comment: Turkey's replacement by Greece in this drill for a second consecutive year highlights the new strategic environment in the Eastern Mediterranean.

Iran stops selling oil to Greece (10 April, 2012)

Iran's oil minister Rostam Qasemi announced that Tehran has halted crude exports to Greece.

Comment: Greece and Iran enjoy the worst level of bilateral relations in modern times.

Iran

Positive New round of talks for the Iranian nuclear programme (17 April, 2012)

Iran and the P5+1 countries resumed a fresh round of negotiations in Istanbul, agreeing to meet again in Baghdad in a few weeks.

Iran bans imports from 100 EU companies (11 April, 2012)

Within the context of Tehran's effort to counter European oil and bank sanctions since January 23, Deputy President of Iran Trade Promotion Organization Sasan Khudaei confirmed that Iran has banned imports from EU companies, adding that the banned goods involve "luxury items" which Iran produces also itself.

Comment: A tit-for-tat Iranian attitude.

Iraq

Iraq's fugitive Vice President in Saudi Arabia (5 April, 2012)

According to a Saudi Foreign Ministry official, Tariq al-Hashemi has arrived in the kingdom after a four day visit to neighboring Qatar. Iraq's judiciary has issued an arrest warrant for Hashemi over his involvement in the assassination of Iraqi officials, including the Iraq's Prime Minister Nouri al-Maliki. Baghdad called on Qatar to extradite him so that he can stand trial in Baghdad but Doha turned down the request.

No oil until deal on payments in Iraqi Kurdistan (3 April, 2012)

According to Kurdish Energy Minister Ashti Hawrani, the Kurdistan Regional Government (KRG) will not resume oil exports until an agreement has been reached with Baghdad on payments for oil companies working in the area. KRG stopped oil exports recently, accusing the central government of failing to pay producers in the north.

Comment: The latest clash in a long-running feud over oil control in the north.

Kuwait

Kuwait's exports up 43% to KWD 20 bn (12 April, 2012)

Total exports of goods and services (FOB) witnessed a 43% increase in the first nine months of 2011 to reach KWD 20.1 bn. which is already 4.5% above the 1010 full year figure. Hydrocarbon exports equaled KWD18.8bn, or 93.6 percent of total exports, which was a 44.8 percent growth. Yet total imports of goods and services increased 7.5 percent to reach KWD5.0 billion, compared to KWD4.7 billion during nine months of 2010. Consequently, the trade balance for nine months of 2011 grew 61.2 percent to a surplus of KWD15.1 billion. This growth is relatively high given that the trade balance grew at a CAGR of 25 percent from 2005 to 2008.

Lebanon

Six dead, 20 injured in attack on Lebanese pilgrim in Syria (7 April, 2012)

Armed men targeted two buses, carrying Shiite pilgrims to Iraq at the al-Jusiyah Syria Lebanon border crossing. The assault has left one passenger and five Syrian border guards dead. Twenty people were also wounded in the incident and were taken to hospitals in the Bekaa Valley.

Comment: A clear sign that the Syrian crisis can spread beyond the Syrian borders.

Morocco

Two US marines killed in Morocco helicopter crash (11 April, 2012)

According to the US Embassy in Rabat, two marines were killed and another two injured in a Bell-Boeing V22 Osprey crash in the souther province of Tan Tan, viewing the event as a 'helicopter incident.'

Oman

Banking Sector in Oman posts higher revenue growth in 2011 (2 April 2012)

The Banking industry in Oman witnessed an 11% increase in revenues in 2011. Bank profits saw a more modest growth of 2%. According to a study by the Boston Consulting Group (BSG), the positive news for the Omani banking sector comes on the back of a significant decrease in banks' loan loss provisions (LLPs) – the latter declined by 35% in 2011, marking the second biggest drop among GCC markets. However, this development was partly offset by a concurrent 16 per cent increase in operating expenses.

Palestine - Israel

Pro-Palestine “Flytilla” to visit Palestinian occupied territories (3 April 2012)

More than 1200 pro-Palestine activists have organized trips. Prominent Hamas leader Khaled Meshaal is in Egypt to hold talks with Egyptian and Arab League (AL) officials on Palestinian reconciliation efforts.

Eilat hit by rocket (5 April, 2012)

According to Israeli officials, a Grad rocket fired from Egypt's Sinai Peninsula has exploded in the Israeli town of Eilat, causing no injuries or damages.

Comment: Insecurity in the Sinai Peninsula is going to flourish further.

Qatar

Qatar Abu Dhabi bonds extend rally and higher crude prices (6 April 2012)

Qatar and Abu Dhabi's investment-grade bonds are extending their rally after providing the world's best returns among similarly-rated notes in the past three years, buoyed by higher oil prices. The yield on Abu Dhabi's notes due 2019 fell to a record low on Tuesday, having returned an annual 13% since they were issued in early April 2009, data compiled by Bloomberg show. Qatar's similar-dated debt earned 12% a year over that period, and the yield dropped to the lowest since September Tuesday. The increase since April 2009 is the most for nations ranked Aa2, the third-highest investment grade, or above by Moody's Investors Service. Comparable US and German debt handed equivalent annual yields of 7% or less.

Saudi Arabia

Saudi Arabia, UK to boost defense ties (6 April, 2012)

Defense Minister Prince Salman, who is on a multiday official visit to the UK, held talks with British counterpart Philip Hammond at the Defense Ministry headquarters in London and discussed prospects of expanding bilateral cooperation. The talks were attended by Saudi Ambassador to the UK Prince Muhammad b. Nawaf, State Minister Musaed Al-Aiban, Air Force Commander Gen. Muhammad Al-Ayesh and other senior officials.

Comment: Riyadh builds up step by step the anti-Iran regional shield in and out of the Gulf Cooperation Council.

King Abdullah: Punish exploiters of stock market (10 April, 2012)

King Abdullah has ordered a crackdown on manipulation of the Kingdom's booming stock market, insisting action should be taken if necessary against improper trading even by members of the royal family. In a message to Abd al-Rahman al-Tuwaijri, Chairman of the Capital Market Authority (CMA), the King said trading rules should be applied to everyone including royals, Al-sharq Arabic daily reported, Monday. The country's stock market has soared this year and trading turnover has increased several-fold because of strong economic growth on the back of high oil prices, hopes that authorities will open the market to direct foreign investment, and an influx of speculative money.

Somalia

Al-Shabab plans to retake control of Somali towns (27 March, 2012)

Addressing a large crowd in the city of Bardera in the southern Gedo region on Saturday, al-Shabab spokesman Sheikh Ali Mohammud Raghe said the recent capture of towns from his fighters should not discourage Somalis, promising victory in the long-run.

Syria

Damascus agrees April 10 deadline for Annan peace plan (3 April, 2012)

Syria's President Bashar al-Assad has agreed to start implementing a peace plan by April 10. Yet the UN-Arab League envoy Kofi Annan told the UN Security Council on Monday there has been no progress yet in halting the bloodshed. Annan appealed to the 15-member council to back the deadline to increase pressure on the Syrian government to halt its offensive against the opposition, diplomats at a closed-doors briefing by the special envoy.

Comment: Is this a prelude to a further deterioration of Turkish-Syrian diplomatic ties?

Tunisia

Police clash with protesters in Tunis (9 April, 2012)

On Monday, police fired tear gas and used electric batons to disperse thousands of protesters who tried to storm Habib Burguiba Avenue to commemorate the "Martyr's Day", where the government prohibited any kind of demonstrations.

Turkey

Turkish casualties in anti-PKK operations (14 April, 2012)

Two Turkish soldiers have been killed and three others wounded in clashes between security forces and the terrorists of the Kurdistan Workers' Party (PKK) in Turkey's southeastern province of Sirnak, near a military base bordering Iraq.

Comment: The Kurdistan issue is getting worse and worse for Ankara.

United Arab Emirates

UAE rules out income, corporate tax plans (12 April 2012)

According to Minister of Finance and Deputy Ruler of Dubai Shaykh Hamdan b. Rashid Al Maktum, the UAE has no plans to impose income tax or new service fees on individuals and companies to fund any fiscal deficit. The International Monetary Fund recently said in a report that the UAE is conducting an economic impact study of a possible introduction of a uniform corporate income tax as the country seeks to reduce its dependence on oil revenue.

Yemen

Yemen air force and troops kill 62 militants (13 April, 2012)

Yemen's air force and ground troops killed at least 62 suspected al Qaeda-linked fighters on Wednesday, officials and tribal sources said, in the government's latest drive to contain an increasingly fierce Islamist insurgency. Militant group Ansar al-Sharia said however only two of its fighters had been killed in Wednesday's clashes.