



## Iraq in crisis as ISIL advances on Baghdad

The rapid advance of ISIL militants across Iraq has been enabled by the deep sense of alienation among Iraq's Sunni community. As the militants move closer to the capital, the Kurds have taken control of Kirkuk and Shiite militias have rushed to arms, bringing Iraq to the brink of all-out sectarian war

The fall of Mosul to jihadists from the Islamic State in Iraq and the Levant (ISIL, or ISIS) on 10 June has sent shockwaves through the region and beyond. As the Sunni insurgents advanced from their strongholds in Al-Anbar, the Iraqi army seemed to melt away, allowing ISIL to extend its gains in the north, the Kurds to step into the vacuum in their coveted Kirkuk, and militias to proliferate on both sides of the Sunni/Shiite divide. Within days, the US said it was contemplating air strikes, as Iraq lunged back into deep sectarian conflict.

At the time of writing, militants from ISIL controlled a significant number of towns in Nineveh, Salahaddin and northern Diyala, including Saddam Hussein's home town of Tikrit and Tal Afar, between Mosul and the border with Syria, where ISIL also controls a swathe of territory. Iraq's biggest oil refinery at Bayji had been shut down and was under attack by militants, and there was fighting in Baquba, just 60km north of Baghdad. The death toll from fighting and ethnic reprisals is unknown. On 17 June, the bodies of 44 Sunni prisoners were

found in a police station in Baquba, and two days earlier, ISIL claimed to have massacred 1,700 Shia air force recruits in Tikrit; while the numbers may well be inflated, there is little question about the group's potential for brutality. The militants will have been emboldened not only by their territorial gains, but also by their accrual of vehicles and funds: they are said to have stolen some \$450m and gold bullion from banks in Mosul alone.

Their rapid advance is not just a story of jihadist power, however. Partly to blame is the weakness of the Iraqi army, which has never been cohesively rebuilt since then governor of Iraq Paul Bremer's decision to disband it in May 2003. Thousands of troops seem to have simply abandoned their positions overnight, leaving vehicles and reportedly two helicopters which ISIL – an offshoot of Al-Qaeda led since 2010 by Abu Bakr Al-Baghdadi (*GSN 922/7*) – subsequently commandeered. But equally significant has been the involvement of local insurgents and ex-Baathists, and the acquiescence of some local Sunni leaders and communities who

*CONTINUED ON PAGE 3*

### Hadi v Saleh

In Yemen, escalating tensions between President Abd-Rabbu Mansour Hadi and his predecessor Ali Abdullah Saleh led to presidential guards raiding the offices of a TV station associated with Saleh on 11 June, and ordering it to be shut down. Two days later, troops were sent to the Al-Saleh Mosque in the capital, thought to be used as a weapons depot for groups planning attacks on the presidency. With the fuel crisis ramping up pressure on the government, Hadi also announced a major reshuffle.

—SEE PAGE 8

### One year on

It is just over a year since Hassan Rouhani won Iran's presidential election, and much hangs in the balance. With Ayatollah Ali Khamenei backing Rouhani's efforts to rehabilitate Iran internationally, hardliners at home are focusing their efforts on his cultural initiatives, stepping up attacks via hardline media in an attempt to stop him from relaxing restrictions on freedom of expression. Rouhani has pushed back, however, and it seems that Khamenei – for now at least – might be taking his side.

—SEE PAGE 5

### Qatari soft power on show at Ascot

When Royal Ascot – a national institution in Britain – opened on 17 June, it was with a new, Qatari, sponsor. Qipco Holding (the Qatar Investments & Projects Development Holding Company) signed a five-year deal in January to become the first ever official partner of the event, known as much for its extravagant hats as its racing.

Ascot is the latest in a string of racing events at which Qatar has deployed its soft power. Qipco – a large investment company belonging to a branch of the Al-Thani – has since 2011 been the sponsor of the British Champions Series, which includes the Epsom Derby and the St Leger, and in

March signed a three-year deal to sponsor the Irish Champion Stakes. State-owned Qatar Racing and Equestrian Club sponsors the Prix de l'Arc de Triomphe, which is Europe's richest race.

One of the directors of Qipco is Sheikh Fahd Bin Abdullah who, together with his first cousin Joaan (brother of Emir Sheikh Tamim), is largely responsible for putting Qatar on the European racing map. On the eve of Ascot, Fahd sold a son of the legendary racehorse Frankel for more than \$2m, at a London sale in association with Qipco (*see Royals*).



# G | S | N

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Iraq in crisis

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have had enough of Shiite Prime Minister Nouri Al-Maliki's exclusionary and authoritarian politics.

ISIL's strategy has been to exploit Sunni grievances to gain local support. While acts of violence such as the massacre in Tikrit may lose them psychological ground, in Mosul – as in Syria and elsewhere – the jihadists were quick to present themselves as the restorers of order. Residents told GSN that the day after taking control, ISIL militants used the speakers of mosques to urge locals to return to their normal lives, telling them that they had restored both electricity and water in the city. "You should see how they speak to us, we haven't felt this respected in 10 years. We are used to soldiers from the Iraqi army shouting at us and humiliating us," one resident said.

Nonetheless, concern over government fightback in Mosul and uncertainty about life under ISIL control prompted around 500,000 people to flee the city, most heading for Erbil and Dohuk. Another 2,500 families are thought to be displaced within Mosul. The stream of citizens north adds to the hundreds of thousands of Iraqis displaced since ISIL took control of parts of Al-Anbar in January; the United Nations said on 11 June that it had only 10% of the \$103m required to aid displaced families.

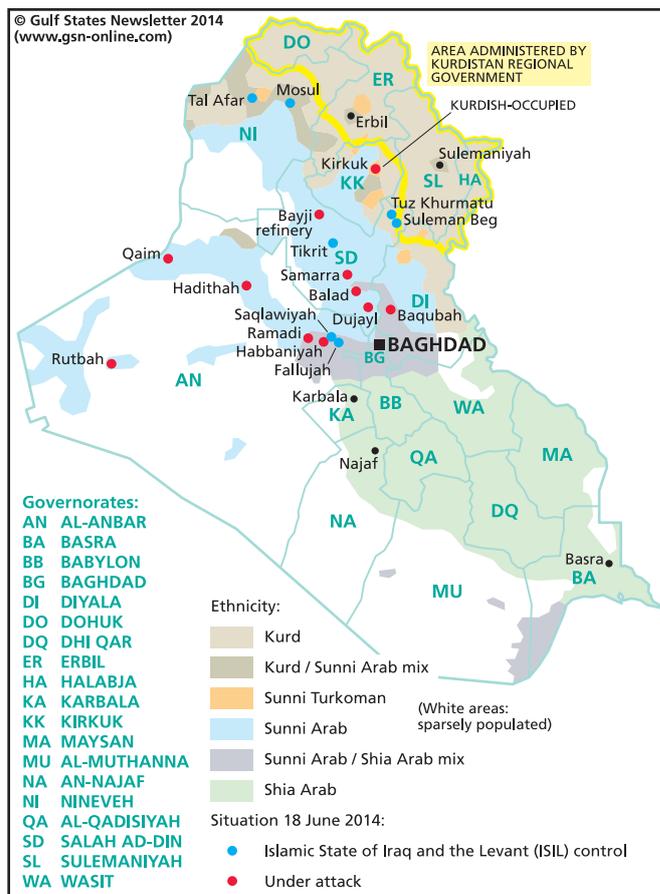
Government response

When Mosul fell, Maliki spoke of a conspiracy behind the army's collapse, and said he would punish those who defected. There have been some suggestions that orders to desert were issued by senior commanders; Nineveh governor Atheel Al-Nujaifi – who has himself been criticised for fleeing to Erbil during the insurgents' attack – has accused a number of senior generals of negligence and demanded that they be referred to a criminal court.

Many in Mosul have stressed that ISIL was not alone in fighting the Iraqi Security Forces, however, highlighting the involvement of ex-Baathist officers, members of the General Military Council of the Iraqi Revolutionaries and fighters from former vice-president Izzat Al-Douri's Naqshbandi army. Indeed, reports of tensions between the Naqshbandi army and ISIL in Mosul following the withdrawal of the army appear to show the two groups vying for the same powerbase.

On the government side, the response has been equally cobbled together, with what is left of the army quickly augmented by Shiite militias. Maliki said the government was willing to arm any civilian prepared to fight, and this was followed by statements from Shiite clerics calling their supporters to arms. The head of the Ahrar bloc, Moqtada Al-Sadr, and the leader of the Islamic Supreme Council of Iraq, Ammar Al-Hakim, called for recruits to join the Peace Brigades and Ashura Brigades respectively; Iranian-trained militia Asaib Ahl Al-Haq also urged people to volunteer. The pivotal speech came on 13 June, when

Ethnic & religious groups in Iraq



Grand Ayatollah Ali Al-Sistani called on all Iraqis to join the army and fight to protect Iraq; though he subsequently issued a further statement clarifying the need for restraint, his call prompted thousands of young Shiite men to pour into recruitment centres across the country.

While the mobilisation of Shiite militias will almost certainly make Baghdad impregnable to the jihadists, the conflict risks cleaving Iraq along purely sectarian lines. Sunni grievances have festered for long (GSN 939/1), and – as governor Nujaifi warned – fighting conducted “under the banner of an Al-Maliki or a Shiite agenda” is likely to push Sunnis towards ISIL, in the short term at least. Nujaifi proposed retaking Mosul and running it with a ‘popular committee’ independent from central government; with the Kurds now embedded in Kirkuk, Iraq’s unity is being seriously threatened.

Kurdish Peshmerga forces took control of Kirkuk on 13 June, an arrangement with which the federal government is far from comfortable. Secretary-general of the Kurdistan Regional Government (KRG) Peshmerga ministry Jabar Yawar has said in a statement that the “Peshmerga will not withdraw from any Kurdish areas outside the KRG that have been liberated”;

speaking to the *BBC's* Jim Muir, KRG Prime Minister Nechirvan Barzani confirmed that it would be “very difficult for the situation to go back to the same as before”, and suggested Sunni areas should have a degree of autonomy based on the Kurdish model. While Barzani advocated a political solution, he made it clear that the lack of trust in Maliki made his position untenable.

Though international oil markets spiked at news of the ISIL advance, it is worth noting that the vast majority of Iraq's oil – and much of its general economic activity – is in the south, or in Kurdish areas, which continue to export (*see page 12*). The shutdown of the Baiji refinery – whose nameplate capacity is 310,000 b/d – is unlikely to cause shortages in the immediate term; Iraq's other two big refineries are in Baghdad and Basra. Adnan Al-Janabi, chairman of parliament's oil and gas committee, told reporters on 17 June that the Baiji refinery had been shut down for days, but that those Sunni insurgents surrounding it were ex-army officers, not jihadists. “These ex-military officers are trying to administer the areas taken over. They are providing the electricity, running the banks,” he said; but 24 hours later, a renewed assault appeared to have left much of the refinery under ISIL control.

### Foreign intervention?

Foreign powers, meanwhile, are struggling to come up with a coherent response. The US has made it clear it is not contemplating the deployment of ground troops, but air strikes seem to be a serious possibility. “They're not the whole answer, but they may well be one of the options that are important,” secretary of state John Kerry told *Yahoo! News* on 16 June. The US is also thought to be considering some form of diplomatic co-operation with Iran, which appears to have the greatest leverage in Iraq of all external powers (*see box*). Any such co-ordination would represent a major shift not just in relations between Washington and Tehran, but potentially in relationships across the region.

Maliki has so far shown no willingness to reach out to the Sunni population, however, something upon which US assistance is likely to be contingent. On 17 June, he blamed Saudi Arabia for bankrolling the Sunni militants, accusations which he levelled at both Qatar and Saudi Arabia in March (*GSN 966/6*); later in the day, he joined Sunni and Shiite politicians in making a joint call for national unity, but the televised appeal appeared awkward. Neither Doha nor Riyadh – which have supported various extremist groups fighting (with ISIL) against Syrian President Bashar Al-Assad – have made much noise over the ISIL advance in Iraq, though Saudi information minister Abdelaziz Bin Mohieddin Khoja did blame it on Maliki. Despite the severity of the crisis – the UN warned on 16 June that a “regional war in the Middle East draws ever closer” – King Abdullah Bin Abdelaziz remains on holiday in Morocco.

### Iranian assistance?

As Sunni militants extended their control in Iraq, Iran moved quickly to reinforce its Shiite powerbase. According to an Iraqi source in Baghdad, Major General Qassem Suleimani, the head of the Islamic Revolutionary Guard Corps (IRGC) Quds Force, arrived in the Iraqi capital on the morning of 12 June, together with a team of senior IRGC officials. “He brought 45 of the officers who are running the war in Syria,” the source told *GSN*. “He was fuming. They have few options.”

Suleimani – a regular visitor to Baghdad whom the Kurds have described as Prime Minister Nouri Al-Maliki's “number one adviser” (*GSN 931/3*), is reported to have personally inspected defensive positions to the north of Baghdad. This fits with his reputation as being a hands-on tactical commander as well as the chief strategist of Iran's policy in Iraq and Syria. *GSN* understands that Suleimani has a war room in Damascus from which he has been running operations at a tactical level for a year – down to the level of individual troop deployments. He is said to fly into Damascus regularly on commercial flights, travelling incognito in parties of Iranian pilgrims.

This engagement contrasts sharply with the US' disengagement from Iraq at all levels. While Islamic State in Iraq and the Levant (ISIL, or ISIS) represents a common enemy, the US' apparent willingness to co-operate with Iran (inconceivable just a few months ago) is in part recognition of its own lack of leverage in a country which it occupied for years. According to Zaab Sethna, a partner at New York-based Northern Gulf Partners, which specialises in Iraqi investments, the US withdrawal from Iraq has been deliberate and wholehearted. “If the word Iraq reaches the president's ears, then someone somewhere has made a mistake,” he said.

This has had a great effect on attitudes within the administration, with resources and attention diverted elsewhere. Iraq has fallen far down the list of priorities as officials have taken their signal from the top, and the size of the embassy has reduced every year. As well as government departments, government organisations such as Opic (the Overseas Private Investment Corporation) have also stepped back.

Washington has said it is not considering joint military action with Iran. The notion of political co-operation seemed to gain weight on 17 June as Britain announced it would reopen its embassy in Tehran within months. While the timing of that announcement is political, the significance of the move should not be overinflated, however: London appointed a chargé d'affaires to Iran in October, and said at the time the plan was to reopen an embassy (*GSN 956/6*).

## Turks the victims of their own success in Mosul

The capture of Mosul by Islamic State in Iraq and the Levant (ISIL, or ISIS) militants has underlined the threat posed by conflict in the region to Turkey, which has made developing business with Iraq a cornerstone of its economic policy (*GSN 932/12*), while maintaining its enduring role as the cutting edge of Nato in the region.

ISIL's charge into Mosul (*see page 1*) swept up around 30 Turkish truck drivers and 49 Turks who were at the consulate on 11 June, including diplomats, three children, security guards and

long-suffering consul-general Ozturk Yilmaz, who was previously an adviser to Turkish Prime Minister Recep Tayyip Erdogan. Erdogan said on 13 June he had spoken to Yilmaz and that none of the group had been hurt. His government, along with the National Intelligence Organisation (MIT) and Turkish Armed Forces were working to bring back their citizens “in a safe and secure manner”.

For all Erdogan’s assurance, critics are saying that consular staff could have been safely evacuated by nearby Turkish helicopters (just across the border), if MIT and other Turkish agencies had reacted faster. On 6 June, Nineveh governor Atheel Al-Nujaifi reportedly told Kurdistan Regional Government (KRG) interior minister Karim Sinjari that ISIL was poised to take over Mosul. Sinjari spread the alarm, but Turkish foreign minister Ahmet Davutoglu subsequently said there was no threat to the consulate, despite Yilmaz being a regular target for terrorist attacks.

Turkey has been negotiating with ISIL, and briefers in Ankara have suggested that senior Saddam Hussein-era Baathists, who have made common cause with ISIL, have advised their jihadist allies not to antagonise Ankara.

For Turkish public opinion, at least, a military intervention is not ruled out. A five-nation (including Qatar, Jordan and the UK) plus Nato exercise conducted earlier this year at Konya Third Main Jet Base Command and other Turkish locations is now seen by analysts as especially relevant, as it targeted potential threats to Mosul and other Iraqi targets.

Turkey is the only foreign country to have consular representation in Mosul (it is also represented in Baghdad and

Erbil), reflecting its economic penetration. Turkish Statistical Institute data shows exports rose to \$11.95bn in 2013, 7.9% of total Turkish trade, from \$1.82bn (2.9%) in 2004. Turkish officials fear a protracted occupation of Mosul, or wider conflict across Iraq, would mean a collapse in Turkish trade, with deals potentially limited only to the KRG region. Turkish businessmen operating in affected areas have relocated to Baghdad, the south or Iraqi Kurdistan as the crisis unfolds.

Oil is still flowing from the KRG to Ceyhan. Turkish energy giant Botas says Iraqi oil has continued to flow to Ceyhan at a rate of 120,000 b/d. The KRG could send more: since completing the Taq Taq-Khurmala-Fish Kabur pipeline that feeds from the Kurdish field into the main Kirkuk-Ceyhan line, it has had capacity to export up to 300,000 b/d to Turkey. The first Kurdish exports left Ceyhan on 23 May (*GSN 971/12*), with nearly 2m bbls of crude now departed on two tankers, the United Leadership (now off Morocco) and United Emblem (*see page 12*).

With Turkey a major player in the Iraq and Syrian crises, and in regular consultations on security with the Obama administration, commentators in Ankara and Istanbul have reacted angrily to a debate scheduled for 18 June by the US House of Representatives foreign affairs committee, on the Turkey Christian Churches Accountability Act. Proposed by the committee’s Republican chair Ed Royce and Democrat representative Eliot Engel, the bill calls for secretary of state John Kerry to further scrutinise Turkey’s efforts to return Christian properties confiscated in the last century, a process Erdogan acceded to several years ago.

## Hardliners step up attacks on Rouhani

With Ayatollah Ali Khamenei backing President Hassan Rouhani’s efforts to rehabilitate Iran internationally, hardliners at home are focusing their efforts on sabotaging the government’s cultural initiatives

One year after his resounding 14 June election win (*GSN 949/1*), President Hassan Rouhani is arguably presiding over one of the most crucial moments in Iran’s recent history, with nuclear negotiations with the West at a much-anticipated turning point, and the country’s relations with the region and the United States poised to be recast by discussions around co-ordination in Iraq.

Iranian officials are seeking to project an image of quiet confidence amid these fraught developments, with foreign minister Mohammad Javad Zarif turning down an appearance on *BBC Newsnight* on 16 June to watch Iran’s World Cup match against Nigeria. But, despite the widely circulated images of an Iranian negotiating team relaxing before a football match, Rouhani’s administration could not be more strained, especially on the domestic front.

Hardliners allied with the Endurance Front have stepped up

attacks on Rouhani, targeting his government’s cultural policies with an incessant campaign of nit-picking across hardline media outlets and state television. Because Supreme Leader Ayatollah Ali Khamenei has backed Rouhani’s nuclear diplomacy and supports efforts to end Iran’s economic isolation, the hardliners are obliged to direct their anger at the president’s cultural initiatives.

In particular, they have focused on the Ministry of Culture and Guidance, which is enacting Rouhani’s efforts to relax restrictions on Iranian independent media and internet freedom. In recent weeks, the state broadcaster, Islamic Republic of Iran Broadcasting (IRIB), has given free rein to its flagship evening news programme to condemn the ministry’s decision to allow the publication of *Iran-e Farda* (Tomorrow’s Iran) and *Zanaan-e Emrouz* (Today’s Women), which were shut down by the administration of former president Mahmoud

Ahmadinejad. The IRIB broadcast, referring to *Tomorrow's Iran*, asked whether “a publication that has been shut for 14 years for numerous violations and destructive actions [should] be permitted to publish again, especially during a year when we must be especially vigilant about safeguarding Islamic values in the cultural field?”

Rouhani has pushed back against the hardline media onslaught, and recently it has seemed that Khamenei might be moving to take his side. During a speech on the 3 June anniversary of the death of Ayatollah Ruhollah Khomeini, intelligence minister Mahmoud Alavi said the supreme leader had grown dismayed with the hardline media's spurious reporting and continual attacks on the Rouhani government. “When the supreme leader of the revolution noticed this spreading of lies, he issued a stern warning to the media responsible,” Alavi said. “And when [Khamenei] saw that his warning had had little effect, he summoned those responsible and dealt with them severely. He asked them, ‘why are you trying to weaken this government?’”

A report also emerged on online news site *Payam-e No* that Alavi recently held a 90-minute meeting with the editor of *Kayhan* newspaper, Hossein Shariatmadari, viewed as the informal agenda setter of the country's hardline media apparatus. On 10 June, on the heels of Alavi's claim that Khamenei was displeased with the hardline rabble-rousing, the supreme leader's representative to the Revolutionary Guards, Ali Saeedi, said during a press conference that “news outlets and media affiliated with the Revolutionary Guards” were responsible for publishing “imprecise and reckless news”, singling out the online site *Fars News*.

His comments, in turn, alluded to Hassan Firouzabadi, commander in chief of the armed forces, who on 20 May took hardline media to task, saying that “some of the news being published is worthless and divisive, some of it is just rumour and speculation and unsourced”. “Even some media that are affiliated with the armed forces make such mistakes, they're not operating within the policies and aims of the supreme leader, and if they don't reform their ways, we will have to deal with them,” he said. Firouzabadi implied – in the indirect manner favoured by Iranian politicians – that an attack-dog press was hindering Iran's regional and global potential. “Without a strategic view at the level of management, the Islamic Republic can't pull its own weight and advance in the world,” he said.

### Letting up

What seems clear is that Khamenei himself has ordered at least a temporary reprieve on the hardline media campaign against Rouhani. But how long that reprieve will last, and precisely what it will encompass, remains to be seen.

On 15 June, 195 MPs issued a statement urging Rouhani to redouble his attention to enforcing Islamic hijab, and warned

### IRAN: Rouhani in Turkey

President Hassan Rouhani made a two-day visit to Turkey on 9-10 June, the first by an Iranian president since 2008. Bilateral relations have suffered from the Syrian war, where Ankara has supported those fighting to oust Iran-backed President Bashar Al-Assad, but Rouhani – who chose not to attend Egyptian President Abdul Fattah El-Sisi's inauguration because of his trip to Turkey – has been reaching out to a number of foes in the Gulf and the wider region as he seeks to reintegrate Iran into the regional, and world, economy (see pages 7 and 9).

Rouhani's visit – which follows a visit by Turkish Prime Minister Recep Tayyip Erdogan to Iran in January – seems to have been primarily aimed at boosting economic ties; he travelled with a retinue which included seven cabinet ministers, the governor of the Central Bank of Iran, and a 90-strong trade delegation. Ten co-operation agreements were signed, and there is talk of Turkey buying more Iranian natural gas (if they can agree on pricing). Rouhani recently had similar discussions about gas with Kuwait (*GSN 971/7*), and has also signed a gas deal with Oman (*GSN 966/15*).

Annual non-oil trade between Iran and Turkey stood at \$5.29bn in the year March 2013 to March 2014, according to Iranian media, and Tehran and Ankara have set an annual trade target of \$30bn. Rouhani and Turkish President Abdullah Gul said they had discussed Syria and Egypt, and that the two countries were determined to work together towards stabilising the region. “The fight against violence, extremism, sectarian conflicts and terrorism is Iran's major objective,” Rouhani said. Gul also hinted at joint efforts to defuse the conflict in Syria; events in Iraq may make a common stance on extremism all the more pressing.

of the “irremediable implications” of not taking the matter seriously. Parliament's anxiety around hijab enforcements comes in the wake of a Rouhani speech in which the president directed authorities not to interfere in citizens' private lives, with the now famous insistence that “you can't force people to heaven with whips and threats”.

The anxiety around hijab has arisen around a social media campaign called My Stealthy Freedom, a *Facebook* page with over half a million ‘likes’ that encourages women from across Iran to post pictures of themselves without their headscarves. The campaign has seriously rattled hardliners, who see Rouhani's rhetoric around an end to digital censorship as a gateway to challenges to aspects of the Islamic Republic's core identity, from enmity with the US to mandatory veiling.

While such tensions over social liberalisation have been endemic to Iranian domestic politics for years, Rouhani officials are making the case that they cannot take forward the country's economic recovery while they are besieged at every juncture over minute cultural decisions. Inflation has fallen from 40% to 30% under Rouhani's watch, and the value of the Iranian rial against international currencies has stabilised. “Rouhani's administration has prevented further deterioration of the economy,” said an economist in Tehran who wished not to be named. “But the economic recovery has not yet begun.”

Despite such fractiousness in virtually every policy area that Rouhani approaches, it is noteworthy that hardliners have not hit out against the prospect of Iran co-ordinating its response to the Iraq crisis with the US (*see page 4*). Neither have hardline outlets raised their usual objection to the presence of high-ranking officials at the nuclear talks in Vienna. Perhaps despite the churlishness over Rouhani's relaxing of press freedoms, hardliners are being kept under a tight rein by Khamenei, after all.

## REGION

### Gulf royalty turns out to welcome Sisi

Gulf states – with the exception of Qatar and Oman – sent high-level royal delegations to the 8 June inauguration of Egypt's new president, former military chief Abdel Fattah El-Sisi. Saudi Arabia and the UAE have been Sisi's most ardent backers since he toppled the Muslim Brotherhood government of Mohammed Morsi (*GSN 966/3, 951/1*), and have portrayed his election landslide as Egypt getting back on track following the Arab Spring.

The Saudi delegation to Cairo was headed by Crown Prince Salman Bin Abdelaziz, who was accompanied by King Abdullah Bin Abdelaziz's son, deputy minister for foreign affairs Prince Abdelaziz Bin Abdullah, minister of culture and information Abdelaziz Bin Mohieddin Khoja and other officials. Crown Prince Salman described Sisi's assumption of power as a “great turning point for Egypt toward security, stability and... sustainable development”, echoing King Abdullah who, in a statement on 3 June, said it was time to “uproot this strange kind of chaos” or risk losing control of “outlaws” – a comment that appears to refer more broadly to the waves of change across the region since late 2010. Though the king, who is in Morocco (*see page 11*), did not attend the inauguration, he telephoned Sisi on 5 June to congratulate him, and, on 3 June, called for a donor conference in support of Egypt (*GSN 971/8*).

The UAE sent Abu Dhabi Crown Prince Mohammed Bin Zayed, who is de facto ruler of the federation, all the more so since President Khalifa Bin Zayed Al-Nahyan's stroke early in 2014 (*GSN 963/1*). Emir Sheikh Sabah Al-Ahmed Al-Sabah represented Kuwait, which has also given generously to post-Morsi Egypt, and Bahrain's King Hamad Bin Isa Al-Khalifa was also in attendance. King Hamad, Emir Sabah and Crown Prince Salman all held talks with Sisi.

Oman was represented by Assad Bin Tariq Al-Said, who has been Sultan Qaboos Bin Said Al-Said's personal representative since 2003, and often travels on the sultan's behalf. Qatar – which supported the Brotherhood in Egypt and, as a result, has seen its relationship with Egypt deteriorate under the new

leadership – was represented only by its ambassador to Cairo and permanent representative to the Arab League Saif Bin Muqaddam Al-Buainain. Emir Sheikh Tamim Bin Hamad Al-Thani did, however, acknowledge Sisi's win of 96.7% of the vote with a congratulatory cable. Sisi returned the courtesy, sending a cable of thanks to Tamim and expressing his “deep wishes for progress and prosperity for the brotherly people of Qatar”, according to *Ahram* online.

The Brotherhood's other main backer, Turkey, was represented only by its chargé d'affaires to Egypt, Alper Bosuter, its ambassador having been expelled in late 2013 after calling for Morsi to be freed from jail. Turkey has been extremely outspoken on Egypt, with Prime Minister Recep Tayyip Erdogan at one point comparing Sisi to Syrian President Bashar Al-Assad (*GSN 964/3*). Iran sent deputy foreign minister for Arab and African affairs, Hossein Amir Abdollahian (who held brief talks with Saudi Crown Prince Salman, *see page 9*); President Hassan Rouhani had formally been invited, but turned down the opportunity, saying he had already scheduled a visit to Turkey for the following day (*see page 6*).

Sisi was sworn in before the Supreme Constitutional Court's general assembly for a four-year term. King Abdullah of Jordan, King Mohammed VI of Morocco and Palestinian President Mahmoud Abbas also attended, but the international audience was made up mainly of diplomats.

The West's reaction to Sisi's win was muted. The White House issued a statement on 4 June expressing concern at the restrictive political environment in which the election was held; the US delegation to Sisi's inauguration was headed by a state department counsellor, Thomas Shannon, who was accompanied by David Thorne, a senior adviser to secretary of state John Kerry. The UK was represented by deputy ambassador to Cairo Stephen Hickey, as ambassador James Watt was out of town.

### China promises support for Syria

China has promised 100m yuan (\$16.1m) in humanitarian assistance for refugees scattered across the Middle East region as a result of the war in Syria. President Xi Jinping made the announcement on 5 June during the sixth ministerial meeting of the China-Arab States Co-operation Forum in Beijing, and also said there would be an additional 60m yuan for Palestine.

The event underscored the growing relationship between China and the region, something the Chinese leadership has been trying to consolidate (*GSN 963/8, 959/4, 936/16*). The Gulf is a big part of that: trade with the Gulf Co-operation Council (GCC) states accounted for up to 70% of China's trade with Arab countries in H1 2013, and China is already Riyadh's largest trading partner. China – which is the world's largest net importer of petroleum and other liquid fuels –

bought 19% of its oil from Saudi Arabia in 2013, according to the US Energy Information Administration; among its other major suppliers are Iran, Oman, Iraq and the UAE.

The diplomatic drive has been evident in a string of recent visits. Kuwaiti Prime Minister Sheikh Jaber Mubarak Al-Sabah was in Beijing for an official visit in the days leading up to the forum (see *Royals*); Saudi Arabia's Crown Prince Salman Bin Abdelaziz was in Beijing in March (*GSN 966/10*) and Bahrain's King Hamad Bin Isa Al-Khalifa was there in September 2013 (*GSN 955/8*). Chinese foreign minister Wang Yi was in Saudi Arabia in December (*GSN 961/9*).

Xi said China would adhere to four policies on Arab countries: unswerving support for the Middle East peace process and safeguarding the legitimate rights of Arabs, pushing forward a political settlement to promote peace and stability in the region, supporting the development of Arab countries and their efforts to explore their own development paths, and advancing dialogues between civilisations.

Various officials took part in the forum, including UAE foreign minister Abdullah Bin Zayed Al-Nahyan, Oman's minister responsible for foreign affairs Yusuf Bin Alawi, Bahrain's minister of state for foreign affairs Ghanim Bin Fadhul Al-Buainain, and Saudi Arabia's minister of state for foreign affairs Nizar Bin Obaid Madani.

### YEMEN

## Tensions between Saleh and Hadi

Tensions between President Abd-Rabbu Mansour Hadi and his predecessor Ali Abdullah Saleh arguably reached an all-time high in mid-June. On 11 June, Hadi ordered presidential guard troops to raid the offices and studios of *Al-Yemen Al-Youm* television, which is part-owned by the Saleh family. CCTV footage shows soldiers searching the building; media outlets close to Saleh – who is still sitting president of the General People's Congress (GPC) – said Hadi had ordered the station's temporary closure in his capacity as secretary-general of the GPC. GPC deputy secretary-general Sultan Al-Barakani was quoted as saying Hadi, with the cabinet's approval, also subsequently temporarily shut down *Al-Yemen Al-Youm* newspaper.

It is not clear why the media were closed, but the motivation appears to be political. The GPC has a 49% stake in *Al-Yemen Al-Youm* media, which includes a radio station. The rest is owned by Ahmed Ali Abdullah Saleh and his cousin Yahya Mohammed Saleh. If Hadi's decision was linked to an internal party matter – as many suspect – the use of government troops is highly controversial.

The incident comes at a time of escalating tensions over a fuel

### Hadi replaces top ministers

As protests at the fuel crisis grow (see *main story*), President Abd-Rabbu Mansour Hadi announced a cabinet reshuffle on 11 June, replacing the ministers of finance, oil and minerals, foreign affairs, electricity, information, and telecommunications and information technology.

Republican decree 95/2014 named Mohammed Mansour Zeman as the new minister of finance, replacing Sakhr Ahmed Al-Wajeih, a major political personality within the Al-Islah party who recently said fuel subsidies would have to be cut as part of a deal with the International Monetary Fund, a highly unpopular reform (*GSN 971/12*). Al-Wajeih has been moved to the governorship of the Red Sea province of Hodeida.

Abu Bakr Al-Qirbi, who has been foreign minister for almost 14 years, is out, appointed instead to the shura council. The new foreign minister is Jamal Bin Abdullah Al-Sallal, who is the son of Abdullah Al-Sallal, the first president of North Yemen in the mid-1960s. Until the reshuffle, Jamal Bin Abdullah was Yemen's ambassador to the United Nations and had previously served in Tehran; the UN position is now taken up by Khaled Bahah, who had only been appointed minister of oil in March (*GSN 966/9*).

Hadi named Ahmed Abd Al-Qader Shayyeh as the new minister of oil and minerals, but on 16 June – despite an announcement that two days earlier that he had been sworn in to the job – state news agency *Saba* said he would not take up the post because of ill health, and that Hussein Rasheed Jamal Al-Kaf would be the oil and minerals minister instead.

The new minister of electricity is Abdullah Mohsen Al-Akwa, who was also named deputy prime minister, and the new minister of information is Nasser Taha Mustafa. Mustafa had been serving as Hadi's press secretary. He replaces Ali Ahmed Al-Imrani, who defected from the General People's Congress (GPC) in March 2011, and was often accused of gravitating towards Sheikh Hamid Abdullah Al-Ahmar during the 2011 uprising; Mustafa is seen as being close to the Al-Islah party and to presidential adviser Ali Mohsen Al-Ahmar. The new minister of telecommunications and deputy prime minister is Ahmed Obaid Bin Dagher.

The new director of the presidency's office is Mubarak Awadh Bin Mubarak, former secretary-general of the National Dialogue Conference (NDC) and regarded as being part of the centre-right Al-Watan party, which was founded after 2011. NDC delegate and Al-Watan co-founder Hussam Al-Sharjabi was named deputy minister of finance.

Other appointments include Mansour Ali Ahmed Al-Betani as secretary-general of the presidency and Fuad Al-Hemiari as deputy minister of information.

crisis that has seen weeks of power cuts and long queues at petrol stations. In some neighbourhoods, residents have set fire to tyres and blocked streets; interior minister Abdo Al-Tareb (appointed in March, *GSN 966/9*) was reported to have taken to the streets of Sanaa in an attempt to calm people down, but had his SUV surrounded by crowds, making it impossible for him to get out and address protesters.

Within a few days, *Al-Yemen Al-Youm* newspaper responded to the closure of its sister television station with the headline

'Treachery' over a picture of Hadi. Saleh also made a number of accusations on 12 June, including that the Movenpick hotel served as the kitchen for all moves against him. Pro-Saleh media claimed that Hadi saw *Al-Yemen Al-Youm* – and other pro-Saleh media such as *Al-Azzal* television – as inciting people to protest.

On 13 June, Hadi sent troops to the Al-Saleh Mosque in Sanaa's Sabaean neighbourhood, apparently after receiving information that it might be a launchpad for attacks on the presidency. Some Yemeni media framed the move as pre-empting a possible coup attempt by Saleh, whose supporters were said to be storing weapons in the mosque; one Saudi media outlet went so far as to report the presence of snipers inside the minarets. Troops in armoured vehicles surrounded the mosque for days; at the time of writing, the standoff was ongoing.

Meanwhile, beyond the capital, fighting also continues, in Amran, north of the capital, and in Al-Dali to the south (*GSN 971/13, 968/8, 967/5*). A ceasefire in Amran negotiated in mid-June between Shiite Houthi rebels and tribal militias loyal to the Sunni Al-Islah party failed within a week. The fight against Al-Qaeda in the Arabian Peninsula and Ansar Al-Sharia also continues across the country (*GSN 969/12*), and is said to have spilled into Lahij, where clashes between a wing of the southern movement (Al-Hirak) and the military also continue. There are also problems with tribes attacking electricity infrastructure in Marib.

## SAUDI ARABIA

### Salman meets Iran's Abdollahian

With the rest of the Gulf Co-operation Council (GCC) increasingly willing to consider the benefits of a less antagonistic relationship with Tehran, Saudi Arabia has – as *GSN* predicted last issue (*GSN 971/7*) – taken another small step towards its great rival by staging a brief meeting between Crown Prince Salman Bin Abdelaziz Al-Saud and Iran's deputy minister for Arab and African affairs, Hossein Amir Abdollahian.

The meeting took place on the sidelines of Egyptian President Abdel Fattah El-Sisi's 8 June inauguration in Cairo (*see page 7*). The Saudi state news agency did not report the meeting but, on 10 June, Iran's official *Ina* agency quoted Abdollahian as saying his negotiations with Prince Salman were "very constructive".

Abdollahian said the two men had exchanged greetings on behalf of their leaders, and "underlined that Tehran and Riyadh are willing to help restore peace and security of the two countries as well as the entire region". Subsequent events in Iraq are likely to set back what is only a reluctant and very

tentative softening of relations (*see page 1*), given that there, too, Iran and Saudi Arabia are on different sides.

According to Kuwaiti news agency *Kuna*, Abdollahian also met Saudi deputy foreign minister, the king's son Prince Abdelaziz Bin Abdullah. The two reportedly discussed foreign minister Saud Al-Faisal's recent invitation for Iranian foreign minister Mohammad Javad Zarif to visit Saudi Arabia (*GSN 970/8*). Zarif had said he could not attend a meeting of the Organisation of Islamic Co-operation in Riyadh because of other commitments.

## KUWAIT

### MPs get suspended sentences

The Supreme Court has given three former MPs 20-month suspended jail terms for publicly insulting Emir Sheikh Sabah Al-Ahmed Al-Sabah, overturning a 2013 decision by the appeals court to acquit them. Falah Al-Sawwagh, Khaled Al-Tahous and Bader Al-Dahoum were arrested in October 2012 after a public rally at which they warned against a planned election law. The lower court sentenced them to three years in jail the following February (*GSN 940/5*), but the verdict was overturned by the appeals court a few months later. The Supreme Court's 8 June ruling is final, however. According to *AFP*, the men were ordered to pay bail of KD2,000 (\$7,000).

Their arrest took place at a time of political turbulence, the day before the emir warned of "threats of chaotic sedition" (*GSN 934/1*). The opposition has been relatively quiet in recent months, but has regrouped somewhat, and, in April, announced a political reform programme calling for a full parliamentary system and an elected government, as well as tighter corruption laws.

On 10 June, opposition supporters held their first major rally this year, to call for an end to corruption. At the event, opposition leader Musallam Al-Barrak – who was given a five-year sentence for insulting the emir in 2013 (*GSN 945/5*) – gave a rousing speech to a crowd which the *Kuwait Times* estimated at more than 10,000 people. "Today the real battle begins after this rally, and we will only end it when we achieve victory against corruption," he said.

Barrak displayed copies of documents he said were evidence of illegal money transfers by state officials. In April, he was summoned by the public prosecutor after he gave an interview to *Al-Yawm* television channel in which he criticised the government and accused a former senior official – whom he did not name – of stealing public money.

Barrak's five-year sentence – prompted by comments he made at a rally in October 2012 – was scrapped by the appeals court in May 2013 after his defence lawyers complained they had not been allowed to call witnesses, including Prime Minister Sheikh Jaber Al-Mubarak Al-Sabah (*GSN 948/4*). A retrial has

been repeatedly delayed, most recently because Sheikh Jaber and finance minister Anas Al-Saleh failed to appear before the court.

On 5 June, the appeals court also confirmed a five-year jail term for Abdullah Abd Al-Kareem, a 30-year-old who was convicted in January of criticising the emir. The court confirmed a deportation order for Kareem, who has a Kuwaiti father and an Egyptian mother, but – despite winning the right to citizenship – had not yet obtained his identity card. He may still take the case to the Supreme Court.

Meanwhile, the information ministry has again suspended a number of media outlets after they defied a news blackout on a case related to a videotape said to implicate senior politicians and a royal in a plot to overthrow the ruling system (*GSN 970/15*). Those affected included newspapers *Alam Al-Yawm*, and *Al-Watan*, which is owned by Sheikh Ali Al-Khalifa Al-Sabah, a former minister of finance and oil and ruling family member, whose own reputation was at one point tainted by corruption allegations.

### BAHRAIN

## UK Mideast minister in Manama

British foreign office minister for the Middle East Hugh Robertson visited Bahrain on 4 June, for the third meeting of the UK-Bahrain Joint Working Group. It was Robertson's first visit to Bahrain as minister; he was formerly minister for sport, but took over from Alistair Burt in October in an unexpected

reshuffle (*GSN 956/6*). The UK has a very close relationship with the government in Bahrain, and has been repeatedly criticised by human rights groups, and even by the UK parliament's Foreign Affairs Committee, for not being outspoken enough about ongoing human rights abuses there (*GSN 970/16, 959/6*).

Robertson issued a statement saying Britain would “continue to provide support to Bahrain's reform programme, with particular focus on strengthening human rights and the rule of law”. He said there was “still much to be done”, and made a point on his *Twitter* account of saying he would be discussing human rights. But his statement also tried to illustrate the positives, by pointing to the creation of a police ombudsman and a new prisoners and detainees commission, both of which were established with British assistance.

Both of these developments are old news, however. Burt made a similar qualified commendation of the police ombudsman in a statement to mark the anniversary of the Bahrain Independent Commission of Inquiry in November 2012 (*GSN 937/6*), and the prisoners and detainees commission was also established some time ago, in September 2013.

While in Bahrain, Robertson – who, like King Hamad Bin Isa Al-Khalifa attended the Royal Military Academy Sandhurst – met the king, Crown Prince Salman Bin Hamad (whose son Mohammed is another Sandhurst alumnus), foreign affairs minister Sheikh Khalid Bin Ahmed Al-Khalifa, interior minister Sheikh Rashid Bin Abdullah Al-Khalifa and transport minister Kamal Bin Ahmed Mohammed, who is also acting chief executive of the Bahrain Economic Development Board.

### KUWAIT

#### SHEIKH JABER: Chinese trip

Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah arrived back in Kuwait on 7 June, following an official visit to China. During his visit, which began on 2 June, he met President Xi Jinping, delivered a letter to him from Emir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, and invited him to Kuwait. He also held talks with Prime Minister Li Keqiang, who hosted an official dinner in the Grand Hall of the People's Congress on 3 June, and National People's Congress Standing Committee president Zhang Dejiang. During the visit, the two countries signed 10 agreements and memorandums of understanding in the oil, investment, media and publishing fields, and on joint co-operation regarding Silk City and the Silk Road Economic Belt (*GSN 963/8*). Sheikh Jaber also took part in the Arab-China Ministerial Forum in Beijing on 5 June (*see page 7*). In China with the prime minister were foreign minister Sheikh Sabah Khaled Al-Hamad Al-Sabah, minister of commerce and industry Abdelmohsen Al-Madaj, minister of finance Anas Al-Saleh, and various other officials. Kuwait's emir visited China in May 2009, his first visit in that role. The biggest bank in China, the Industrial and Commercial Bank of China, plans to open a branch in Kuwait soon (*GSN 970/1*).

### QATAR

#### FAHD BIN ABDULLAH: Mare and foal sold for £1.15m

A mare called Crystal Gaze and her three-month-old colt, owned by Qatar's Sheikh Fahd, a son of former prime minister Sheikh Abdullah Bin Khalifa, have sold at auction in London for £1.15m (\$2m) – closer to £1.5m including premium and tax. The unnamed foal, bought by Michael Magnier of Coolmore stud, was sired by legendary Frankel, who was unbeaten on the flat in his 14-race career and retired to stud in 2012 (his fee is reportedly £125,000). Crystal Gaze is also currently in-foal to Frankel. Sheikh Fahd is a director of Qatar Investments & Projects Development Holding Company (Qipco), a large investment company belonging to his branch of the Al-Thani; his father Abdullah and brothers Suhaim and Hamad are also directors. Fahd and his cousin Joaan Bin Hamad Al-Thani have been instrumental in making Qatar a force to be reckoned with in European racing; Joaan's filly Treve won the Prix de l'Arc de Triomphe in October (*GSN 956/7*). The foal's sale was held on 16 June by Goffs in association with Qipco at the Orangery at Kensington Palace, the day before the opening of Royal Ascot, of which Qipco is the first ever sponsor (*see page 1*). Frankel is owned by Prince Khalid Bin Abdullah Al-Saud's Juddmonte Farms; Khalid is from the Al-Abdelrahman branch of the Saudi royal family (*GSN 934/8*).

## Anatomy of the Al-Saud

GSN publisher Cbi has developed a detailed and extensive report listing key members of the Al-Saud to help explain the complex family relationships that underpin business and politics throughout the kingdom.

[www.gsn-online.com/Saudi-Arabia-al-saud-succession](http://www.gsn-online.com/Saudi-Arabia-al-saud-succession)

### EMIR TAMIM: US-Islamic forum

Emir Sheikh Tamim Bin Hamad Al-Thani – who on 25 June will have been emir of Qatar for exactly a year (*GSN 950/1*) – attended the opening of the US-Islamic World Forum, which took place on 9-11 June at the Ritz Carlton hotel in Doha. US assistant secretary of state at the Bureau of Near Eastern affairs Anne Patterson spoke at the event, entitled Islam and Inclusion, and began by thanking Qatar again for its assistance in securing the release of US Sergeant Bowe Bergdahl (*GSN 971/6*). Patterson, who was the US ambassador to Pakistan when Bergdahl was taken prisoner, noted that secretary of state John Kerry was in such frequent contact with Qatari foreign minister Khalid Bin Mohammed Al-Attiyah that he keeps his number on his personal cell phone. Emir Tamim held talks with Patterson on the sidelines of the forum, and with Albanian President Bujar Nishani and Malian President Ibrahim Boubacar Keita. Prime minister and interior minister Sheikh Abdullah Bin Nasser Al-Thani attended the meetings.

### SAUDI ARABIA

#### KING ABDULLAH: MBZ visits

Abu Dhabi Crown Prince Mohammed Bin Zayed Al-Nahyan (MBZ) visited King Abdullah Bin Abdelaziz at his residence in Casablanca on 4 June. King Abdullah has been in Morocco since 20 May on a private visit, and has been receiving a number of dignitaries (*GSN 971/9*). His talks with MBZ were attended by King Abdullah's sons Mansour, Majid, Saad, Sultan and Bandar; interior minister Mohammed Bin Nayef and finance minister Ibrahim Al-Assad; the king's advisers Prince Mansour Bin Nasser Bin Abdelaziz, Prince Bandar Bin Salman Bin Mohammed, Prince Turki Bin Abdullah Bin Mohammed and Sheikh Mishaal Al-Abdullah Al-Rashid; Princes Faisal Bin Abdullah Bin Mohammed, Saud Bin Abdullah Bin Mohammed and Faisal Bin Mohammed Bin Saud Al-Kabeer; and Saudi ambassador to Morocco Abdulrahman Bin Mohammed Al-Jedaie. On the Emirati side, MBZ was travelling with his brothers Sheikh Hamdan, ruler's representative in the Western region, Sheikh Mansour, deputy prime minister and minister of presidential affairs, and Sheikh Nahyan, chairman of the board of trustees of Zayed Bin Sultan Al-Nahyan Charitable and Humanitarian Foundation.

#### MITEB BIN ABDULLAH: In Paris

Minister of the Saudi Arabian National Guard Prince Miteb Bin Abdullah Bin Abdelaziz flew to Paris on 13 June for an official visit in which he was due to hold talks with French President François Hollande and defence minister Jean-Yves Le Drian. In France to greet him were his son Prince Abdullah Bin Miteb and various embassy officials. Qatar's Emir Sheikh Tamim Bin Hamad Al-Thani is also expected to travel to France, on 23 June; France's *La Tribune* has suggested he could announce Qatar's long-awaited decision to buy Rafale airplanes during his visit (*GSN 965/9*). Tamim is a frequent visitor to Paris, most recently in late May/early June, when he was spotted enjoying the French Open tennis at Roland Garros.

### SAUDI ARABIA: Prince denied immunity

A British court has dismissed Prince Abdelaziz Bin Fahd Bin Abdelaziz Al-Saud's claim that he is entitled to state immunity, in a case in which Janan George Harb – one of his father's widows – is suing him for breach of contract. Harb says that, in March 1968, aged 19, she was married in secret to King Fahd Bin Abdelaziz (r. 1982-2005), who at the time was interior minister. The marriage lasted only two years, but she claims that Fahd promised to provide for her financially for the rest of her life, and that he gave her money only up until he suffered a stroke in 1995. In 2003, she planned to start proceedings against him in England, at which point, she alleges, Prince Abdelaziz agreed during a meeting at The Dorchester in London to honour his father's promise by paying her a lump sum of £12m (\$14.9m) and transferring to her the title of two properties on Cheyne Walk, in London's upmarket borough of Kensington and Chelsea. In return, she was to withdraw damaging allegations about Fahd.

Harb says she has kept her side of the bargain, but received neither the money nor the title deeds. She launched the proceedings against King Fahd in January 2004, but the claim was dismissed that December by reason of state immunity, and King Fahd's death in August 2005 prevented an appeal. The current claim was issued against Prince Abdelaziz on 15 June 2009, and accuses him of breaching the agreement they had reached (*GSN 862/6*). Harb is seeking the properties and damages of £12m, or the value of the properties and interest. The prince has not responded to the claim, but has contested the court's jurisdiction; his claim for state immunity has been – court papers show – supported by Saudi Arabia. Mrs Justice Rose, however, sitting at the High Court of Justice, delivered a verdict on 9 June that the prince was not immune from prosecution, opening the way for an uncomfortable court case for the Al-Saud.

Potentially more embarrassing still is the possibility that Harb – who says she has written a book called *The King and I* and is in talks to publish it – may divulge her marital secrets on the big screen. "She is currently in detailed discussion to progress the adaptation of her book into a film," her solicitor Mandeep Kaur Virdee, of law firm Neumans, said in a statement. "Mrs Harb is passionate about sharing her personal account of what it is truly like to be married to a Saudi King and believes the exposure will be of public interest." Harb was represented in court by Edward Fitzgerald QC of Doughty Street Chambers and Tom Hickman of Blackstone Chambers; Hickman is also on the legal team of a Bahraini citizen, known as FF, who is challenging the UK Crown Prosecution Service's assertion that Bahrain's Prince Nasser Bin Hamad is entitled to sovereign immunity and should not face investigation into allegations he tortured detainees in Bahrain (*GSN 970/5*).

According to *Sports360*, he was there most days, and was spotted on Philippe Chatrier court with president of Paris Saint-Germain Nasser Al-Khelaiifi, who was formerly a professional tennis player.

#### JAWHARA BINT BADR: Funeral prayers

The Royal Court announced the death of Princess Jawhara Bint Badr Bin Abdelaziz Al-Saud on 9 June. Her funeral prayers were performed the next day at Imam Turki Bin Abdullah Mosque in Riyadh. Jawhara's father, who died in April 2013 (*GSN 944/8*), was deputy commander of the Saudi Arabian National Guard until November 2010. Her brother Fahd is the governor of Al-Jawf, and is married to one of King Abdullah Bin Abdelaziz's daughters.

### UAE

## Conscription law issued

The UAE's first conscripts are to begin training in September, following the issuance of the law on national military service. On 7 June, President Sheikh Khalifa Bin Zayed Al-Nahyan issued Federal Law No 6 of 2014, which deals with national service and the reserve force, and formalises the draft endorsed by the cabinet in January (*GSN 962/10*).

The law established a National and Reserve Service Authority at the general headquarters of the armed forces, which will oversee matters related to national service and is chaired by Major General Pilot Sheikh Ahmad Bin Tahnoun Bin Mohammad Al-Nahyan. Male citizens who are medically fit and aged between 18 and 30 – from the date of the law's issue – will have to serve. Those who are only sons will be exempt. Women have the option to enrol, provided they have the consent of their guardian.

Emiratis who have not finished secondary school must serve two years; those with a secondary school certificate need do only nine months. Women, regardless of schooling, will serve nine months. Service will be performed in the armed forces, Ministry of Defence, Ministry of Interior, State Security Authority and other military institutions. Conscripts will not only have military training, but will also get “national and security lectures”, according to state news agency *Wam*.

They will continue to receive their regular salaries, and employers must keep their jobs open for them. “Entrepreneurs and skilled workers” will get a monthly bonus, and those studying abroad may postpone service until after graduation.

The first batch of conscripts is due to be received at the beginning of September, through three recruitment centres in Abu Dhabi, Sharjah and Al-Ain.

Qatar has also recently passed a law introducing compulsory military service, although conscripts there will serve only a few months; the first batch of 2,000 have almost finished their service (*GSN 966/11, 965/11*).

### IRAQI KURDISTAN

## KRG plans more oil sales

With much of Iraq embroiled in the fight against Islamic militants (*see page 1*), the Kurdistan Regional Government (KRG) is planning to sell another two oil tankers from the Turkish port of Ceyhan in the coming days, again bypassing the central marketing system. The KRG loaded its first tanker in late May, prompting Baghdad to file a request for arbitration against Turkey and its state-owned pipeline operator Botas (*GSN 971/12*). A second tanker carrying Kurdish oil left Ceyhan on 10 June; on 16 June, energy minister Taner Yildiz said a third would depart the Turkish port on 22 June, and on 17 June, minister for natural resources Ashti Hawrami said a fourth would also be loading within the week. The tankers are expected to carry 1m bbls of crude. Revenues would again be deposited in a KRG-controlled account in Turkey's Halkbank,

Hawrami told a conference in London, with 5% put aside for United Nations-related compensation.

Baghdad has been withholding money from the KRG because of what it sees as illegal oil sales (*GSN 967/12*); according to Hawrami, Erbil has received \$900m from Baghdad in the last six months. He said the KRG – which is exporting around 125,000 bbls/d through the Iraq-Turkey pipeline system – has had to borrow \$2bn against future oil sales from local sources and a further \$1bn internationally, leaving it “with no choice but to export oil to help Kurdistan make up for the budget cut”.

It is still not clear who is buying the controversial crude, and Baghdad has threatened to blacklist anyone who does. The first tanker, the United Leadership, remains off the coast of Morocco. The second, the United Emblem, initially sailed to Malta, but industry sources told Turkey's *Daily Sabah* that, after two days of waiting off the coast, it had transferred its cargo to a Liberia-flagged tanker, the SCF Altai.

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### 23-25 June: Iran Oil & Gas, Dubai

Web: [www.iransummit.com/http://www.gsn-online.com/events](http://www.iransummit.com/http://www.gsn-online.com/events)

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### 1-2 September: GCC Power & Water Forum, Dubai

Web: [www.gccpuf.com](http://www.gccpuf.com)

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### 22-24 September: MEHSE, Doha

Web: [www.spe.org/events/mehse/2014/](http://www.spe.org/events/mehse/2014/)

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### 29-30 September: MENASGOS 2014, London

Web: [www.menashalesummit.com](http://www.menashalesummit.com)

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### 12-14 October: Power-Gen Middle East, Abi Dhabi

Web: [www.power-gen-middleeast.com](http://www.power-gen-middleeast.com)

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### 17-19 November: META Projects, Dubai

Web: [www.metaprojectsexpo.com](http://www.metaprojectsexpo.com)

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### 24-26 November: SAOGE 2014, Dammam

Web: [www.saoge.org](http://www.saoge.org)

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### 2-4 March: Solar Middle East, Dubai

Web: [www.solarmiddleeast.ae](http://www.solarmiddleeast.ae)

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### 11-13 May: Saudi Energy, Riyadh

Web: <http://www.saudi-energy.com>

## GSN Risk Grade – A↓2: UAE joins Saudi Arabia in backing Egypt, criticising Qatar

### Overview

**POLITICS:** Established in 1971, the federation of the seven emirates of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah and Umm Al-Quwain is a liberal and progressive state as far as the economy goes, but remains politically conservative. The federal government has legislative and executive jurisdiction over areas including foreign affairs, security and defence, air traffic control, education, public health, currency, electricity and immigration. Each emirate retains considerable economic independence and control over mineral rights and revenues. Oil-rich Abu Dhabi has been dominant, and its ruler, Sheikh Khalifa Bin Zayed Al-Nahyan, is president of the federation. Each emirate's ruler sits on the Supreme Council, the highest executive and legislative authority. The Council of Ministers makes most federal decisions, while the Federal National Council – which since 2006 has been half elected and half nominated – acts as an advisory council.

The UAE is working hard to shape its profile as an emerging regional and global power. It pulled out of the Gulf Monetary Union in 2009, angry that Riyadh had been chosen over Abu Dhabi as the headquarters for the monetary council, and has reservations about a more integrated Gulf Union. The federation is becoming an increasingly important part of US policy in the Gulf, and, despite concerns over human rights abuses, is widely perceived as one of the most stable countries in the region.

**ECONOMY:** The UAE sits on about 8-10% of the world's known oil reserves, almost all of which are in Abu Dhabi. The latter accounts for well over half of the federation's economy: in 2011, it accounted for roughly 64% of federal GDP. The UAE joined Opec in 1967, and is its fourth largest producer, pumping around 2.8m b/d. Abu Dhabi plans to invest \$60bn over the next five years to increase that to 3.5m b/d, and much of the new output will head to Asian markets. Abu Dhabi also controls around 3.5% of global gas reserves, although its reliance on gas-fuelled power plants means it still faces shortages.

Economic diversification is bearing fruit: in Abu Dhabi, oil and gas contributed only 51.4% of GDP in 2013. Dubai, which does not have the oil wealth of its larger neighbour, has long tried to position itself as a trade hub and tourist centre. In 2008, waves from the global credit crunch swamped Dubai and, by early 2009, it was effectively bankrupt. Abu Dhabi stepped in with a \$10bn five-year bond via the UAE Central Bank, and a further bailout later that year. Also key to the economy are investments abroad, mostly through government-owned vehicles. Some estimates put the combined assets of Abu Dhabi's investments overseas at more than \$1trn.

### Recent developments

**EGYPT:** The UAE – with Saudi Arabia – has been one of the main backers of General (now retired) Abdel Fattah El-Sisi, who overthrew the Muslim Brotherhood government of Mohammed Morsi in July 2013 and was elected president of Egypt in April. Abu Dhabi Crown Prince Mohammed Bin Zayed (MBZ) attended Sisi's inauguration on 8 June. The UAE has given huge financial support to the new Egyptian leadership – \$3bn initially, another \$1.9bn promised in October, and a \$2bn interest-free deposit in the central bank – and Dubai's Arabtec Holding has also agreed to take on a project worth some \$40bn to build a million houses in Egypt.

**QATAR:** Relations with Qatar have deteriorated sharply. The UAE, Saudi Arabia and Bahrain withdrew their ambassadors from Doha in March, an act widely seen as castigation for Qatar's support of the Muslim Brotherhood in Egypt and elsewhere. The ambassadors have yet to be returned.

**IRAN:** The UAE has been relatively open to a rapprochement with Iran, as progress continues on the nuclear issue. On 1 June, a large UAE trade delegation, led by the chairman of the Federation of UAE Chambers of Commerce, Mohammed Thani Al-Rumaithi, travelled to Tehran to hold meetings with counterparts in the private sector, and with the country's economy and industry ministers, and the governor of the Central Bank of Iran.

**CONSCRIPTION:** The UAE is introducing national military service, with the first conscripts expected to begin training in September. Male citizens who are medically fit and aged between 18 and 30 will serve up to two years, depending on their level of education. Those who are only sons will be exempt. Women have the option to enrol, provided they have the consent of their guardian.

**SHEIKH KHALIFA:** Sheikh Khalifa had a stroke on 24 January, and has not been active publicly since. Abu Dhabi Crown Prince MBZ, who was in any case the de facto ruler, is expected to succeed as president, with his brother Hazza seen as the most likely candidate for Abu Dhabi Crown Prince.

**GDP:** The UAE's economic growth rose to 5.3% in 2013, from 4.4% in 2012, according to the National Bureau of Statistics. "One of the most important factors contributing to the improvement of the 2013 GDP growth... was the development of oil output and a good and stable level of oil prices in general during last year, when the average oil price reached nearly \$108 per barrel," the bureau said. In its annual financial stability report for 2013, the Central Bank – using an estimated GDP growth of 5% for 2013 – said non-oil growth was particularly strong, at 5.4%, with oil growth at around 4%. The non-oil sector was driven by real estate activity and the trade, tourism and transport sectors. The International Monetary Fund had forecast growth of 4.8% for 2013.

### Factbox

- **HEAD OF STATE:** President Sheikh Khalifa Bin Zayed Al-Nahyan (since 2004)
- **HEAD OF GOVERNMENT:** Prime Minister Sheikh Mohammed Bin Rashid Al-Maktoum (since 2006)
- **POPULATION (2011):** 7.9m (84% urban, 17% under 15)
- **RELIGION (2005):** 76.2% Muslim (of which 10% Shia)
- **PERCEIVED CORRUPTION RANK (2011):** 6.8 (0-10, where 0 is highly corrupt)
- **PER CAPITA GDP (2010):** \$45,653
- **HUMAN DEVELOPMENT INDEX RANKING (2011):** 30 (of 187)
- **OIL RESERVES (END 2011):** 97.8bn bbls
- **CURRENCY (END 2012):** \$1 = 3.67 Emirati dirhams

Sources: UNDP, World Bank, Pew Forum, Transparency International, Opec, UAE Central Bank

### Selected economic indicators

	2012	2013f	2014f	2015f	2016f
GDP (% change)*	4.4	4.8	4.4	4.2	3.9
GDP (\$bn)**	383.8	396.2	412.4	430.0	444.4
Gross nat savings ***	40.0	38.9	37.7	37.0	36.3
CPI inflation (% change)	0.7	1.1	2.2	2.5	2.8
Gen govt total exp***	21.8	24.7	23.3	23.3	23.4
Gen govt gross debt***	16.6	12.3	12.3	12.6	13.0
Current a/c bal (\$bn)	66.6	59.0	55.0	53.5	51.4

\* Constant prices, \*\* Current prices, \*\*\* % of GDP, f = forecast

Source: IMF, World Economic Outlook Database, April 2014

## GSN Risk Grade – Abu Dhabi, A1; Dubai, B3: Dubai real estate sector risks overheating again

### Overview

At the top of each emirate are the courts of the rulers, and of the crown princes. In practice, only the rulers of Abu Dhabi and Dubai make unilateral decisions and put out emiri decrees, with most of the smaller emirates using legislation crafted at federation level. Abu Dhabi, Dubai and Sharjah have executive councils, although Dubai's is relatively informal. Abu Dhabi and Sharjah also have national consultative councils, whose usefulness (like the federal consultative council) has been questioned.

**ABU DHABI:** Abu Dhabi's ruling Al-Nahyan dominated the federal government until early 2006, when Dubai's charismatic ruler, Sheikh Mohammed Bin Rashid Al-Maktoum (MBR), was named federal vice-president and prime minister. The current ruler, Sheikh Khalifa Bin Zayed Al-Nahyan, has less power than did his father, Sheikh Zayed Bin Sultan, as his brother, Crown Prince Sheikh Mohammed Bin Zayed, plays a central role, controlling the military and many aspects of foreign policy.

**DUBAI:** Dubai is experiencing something of a renaissance following its 2009 debt crisis and, in the past year, has again launched a number of megaprojects. From 2006, it played an increasing role in federal affairs, but its financial woes resulted in power shifting back towards Abu Dhabi, which aspires to a more closely bound federation. MBR's sons, Crown Prince Sheikh Hamdan Bin Mohammed and deputy ruler Sheikh Maktoum Bin Mohammed, are increasingly visible.

**SHARJAH:** Sharjah is a constitutional monarchy ruled by the Al-Qasimi family. Its executive council functions as the central government, and it has a consultative council with some autonomous powers given to three enclaves on its east coast. Sheikh Sultan Bin Mohammed Al-Qasimi has ruled since 1972, apart from six days in 1987 when there was an attempted coup.

**RAS AL-KHAIMAH:** RAK reluctantly agreed to join the federation one month after the other emirates, and (with Dubai) threatened to withdraw in the late 1970s when Abu Dhabi tried to unify the military. Ruler Sheikh Saud Bin Saqr Al-Qasimi took over on his father's death in 2010.

**FUJAIRAH:** Fujairah's ruler – currently Sheikh Hamad Bin Mohammed Al-Sharqi – holds an open majlis for citizens and expatriates at least once a week, in the tradition of the smaller emirates. Money has been pouring into the port, which is strategically located on the Gulf of Oman, at one end of a new pipeline from Abu Dhabi, which means oil can bypass the Strait of Hormuz.

**UMM AL-QUWAIN:** Umm Al-Quwain, ruled by Sheikh Saud Bin Rashid Al-Mualla, is around 770 square kilometres, and is the least populous emirate, with a population of just under 50,000.

**AJMAN:** Headed by Sheikh Humaid Bin Rashid Al-Nuaimi, Ajman is just 259 square kilometres and has a population of around 206,000.

### Recent developments

**DUBAI BUBBLE:** The Central Bank has warned against soaring property prices in Dubai, saying on 8 June that the real estate sector could be overheating. House prices in the year to March rose 27.7%, according to consultancy Knight Frank, topping the global house price rankings for a fourth straight quarter. The last real estate crash saw prices fall by more than half in some places, and it has taken several years for Dubai to re-emerge from its subsequent debt crisis. House prices finally bottomed out in mid-2011 in Dubai and in late 2012 in Abu Dhabi, and have been rising since. In its annual financial stability report, the Central Bank said average residential sale prices rose 24% in Dubai and 21% in Abu Dhabi in 2013; non-Gulf Co-operation Council citizens are thought to be a driving force behind increased demand in Dubai. "Current average rental yields in Dubai and Abu Dhabi are approximately 70 and 130 basis points below historical averages, which could indicate growing imbalances – [an] overheating real estate market," said the Central Bank, which rarely comments on such issues.

**JAILINGS:** A businessman from Fujairah and an engineer from Ras Al-Khaimah were sentenced to five years in prison in March for criticising the state crackdown on Islamists. Khalifa Rabia and Othman Al-Shehhi were members of Islamist group Al-Islah, which has been the target of a crackdown since 2011. They were arrested in July 2013, and accused of publishing seditious material on *Twitter*.

**ABU DHABI:** Abu Dhabi's GDP in 2013 was Dh672.7bn (\$183.1bn), according to the emirate's statistics centre, a growth rate of 5.2%. The number – up from Dh641.8bn in 2012 – is lower than previous estimates, but still higher than the 4.8% growth the previous year. The centre said oil growth was estimated at 3.2%, while non-oil GDP was 7.4%. The extraction industry (crude oil and natural gas) contributed 51.4% of GDP, compared to 52.9% in 2012, a sign of Abu Dhabi's economic diversification. The construction sector contributed 12.1%, the same as in 2012, while the financial sector provided 5.9%, compared to 4.9% in 2012.

**BONDS:** State-owned telecommunications operator Etisalat made its maiden bond issue on 11 June, selling \$4.3bn worth of bonds. It was the region's biggest corporate issue ever, according to *Reuters*, and also set a record for the cheapest pricing. Etisalat sold fixed-rate debt in four tranches, with maturities ranging from five to 12 years, to replace some of the debt used to purchase a majority stake in Maroc Telecom. Also on 11 June, Emaar Malls Group – part of Dubai's Emaar Properties – raised \$750m via its first sukuk issue, which received orders of more than \$5.4bn, the news agency said. The National Bank of Ras Al-Khaimah (Rakbank) is also expected to sell a benchmark-sized debut bond issue, after investor meetings in June. Rakbank is just over 50% owned by the government of Ras Al-Khaimah.

### DUBAI: Selected economic indicators

	2009	2010	2011	2012
GDP (Dhm)*	293,228	299,543	311,200	333,886
GDP per capita (Dh)*	-	159,847	157,446	158,464
Imports (Dhm)**	318,520	363,671	441,666	501,668
Exports (Dhm)**	52,420	67,962	98,064	148,486
Re-exports (Dhm)**	117,559	144,023	160,695	157,689
Population (m)	1.8	1.9	2.0	2.1***
Hotel rooms	43,419	51,115	53,828	57,345
Passenger arrivals (m) <sup>1</sup>	19.9	23.0	24.9	28.5

\* Current prices, \*\* Direct foreign trade, \*\*\* 24% female, <sup>1</sup> Dubai international airport

Source: Dubai Statistics Centre

### ABU DHABI: Selected economic indicators

	2009	2010	2011	2012
GDP (Dhm)*	535,311	639,952	846,684	911,591**
GDP per capita (Dh)*	293,052	325,235	391,690	390,476
Total exports (Dhm)	372,845	214,827	300,708	-
Non-oil exports (Dhm)	9,501	11,611	11,478	15,412
Non-oil imports (Dhm)	93,872	86,574	116,374	118,972
Re-exports (Dhm)	8,694	10,992	11,567	14,745
Population (m)	-	2.0	2.2	2.3***
Hotel rooms	17,424	18,832	21,254	21,997 <sup>1</sup>
Passenger arrivals (m) <sup>2</sup>	2.5	5.4	6.2	7.3

\* Current prices, \*\* oil share 56.5%, \*\*\*29% female, <sup>1</sup> 65.2% occupancy,

<sup>2</sup> Abu Dhabi airport

Source: Abu Dhabi Statistics Centre

## There will be no quick fix in Iraq

The blame game began within hours of Sunni extremists taking Mosul (see page 1). Iraqi Prime Minister Nouri Al-Maliki blamed members of the army for deserting, saying the seizure of the city was a “conspiracy”. Saudi Arabia blamed Iranian-backed Maliki, with information minister Abdelaziz Bin Mohieddin Khoja saying: “This would not have arisen were it not for the sectarian and exclusionary policies practised in Iraq over the past years”. Former British prime minister Tony Blair blamed the civil war in Syria (and definitely not the 2003 invasion of Iraq of which he was a primary architect). Writing in *The Wall Street Journal* on 15 June, L Paul Bremer, the former US governor of Iraq, tried to pin it on US President Barack Obama, who, he said, pulled US forces out of Iraq too soon.

It is clear that Shiite Maliki’s authoritarian rule has cultivated a sense of alienation among Sunnis so deep that many have been willing to assist extremists from the Islamic State in Iraq and the Levant (ISIL, or ISIS) as they push towards Baghdad. But it is also very clear that the occupation of Iraq by the US and its allies – both the manner in which it was conducted, and the sectarian militancy it unleashed – has played a critical part in the subsequent mire. For more than a decade, Iraq has been steeped in violence and disenfranchisement; the generation which is now letting ISIL in is made up of those who for ten years have been made to feel like onlookers in their own state. Those fighting alongside ISIL today are the same men who, as boys and young men, watched as US soldiers raided homes at dawn, ransacking property, blindfolding their neighbours, friends, cousins, fathers, loading them into trucks and driving away. They are the same people who have grown used to bloodshed, to explosions, to annual violent death tolls that reach into the thousands, and sometimes the tens of thousands.

If politicians are busy attributing blame (or exonerating themselves with astonishing self-delusion), it is not because they aim to hold individuals accountable for the crisis in Iraq, but because they are struggling to come up with a coherent response to it. ISIL’s frightening advances are not only hugely destabilising for the region, they have also taken foreign governments by surprise, despite numerous warning signs. (Lakhdar Brahimi, former United Nations envoy to Syria, told the *BBC’s* Today programme on 14 June that he had warned US officials about ISIL in Iraq specifically several months ago. “They were very polite... but I’m not certain how serious they have taken these warnings, whether it’s Americans or the Security Council or anybody else,” he said.)

There is, of course, no easy solution, and in the slipstream of the rapidly developing drama, it is not surprising that international leaders are floundering. Iraq’s deep problems have been years in the making, and will take years to mend, if indeed the divided communities can find the will to fix them. What foreign military options there are seem futile. An armed intervention will only temporarily suppress grievances that gain strength when they are pushed underground. The only hope of getting rid of brutal groups like ISIL – which even Al-Qaeda has washed its hands of – is to choke their grassroots support by breaking down their vile sectarian logic. People must be given a stake in their nation, not just in their communities. This will take time – and time is inconvenient to most implicated parties who are busy trading blame. But only by fixing Iraq’s broken political system – one slow step at a time – can faith be restored in central institutions, and inter-communal violence once again become an aberration, not the norm.

# GULF STATES



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