

**JOINT POLICY PROJECT**

**The Atlantic Council  
of the United States  
and**

**The Middle East Institute  
Policy Paper**

**Western Interests  
and U.S. Policy  
Options in the  
Middle East**

**A Joint Policy Project of the  
Atlantic Council of the United States  
and the Middle East Institute**

*Lucius D. Battle and George M. Seignious II, Co-Chairmen  
Robert E. Hunter and Geoffrey Kemp, Co-Rapporteurs*

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# WESTERN INTERESTS AND U.S. POLICY OPTIONS IN THE MIDDLE EAST

A Joint Policy Project of the Atlantic Council of the United States  
and the Middle East Institute

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George M. Seignious II  
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Washington, DC  
February 1988

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Western Interests and U.S. Policy Options in the Middle East  
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## FOREWORD

This jointly-sponsored Policy Paper addresses the major issues of Western interests and U.S. policy options in the Middle East. By "Western" we mean the Western industrialized democracies and specifically the U.S., the NATO allies and Japan. While "interests" is a somewhat abstract term, clearly Western interests in the region are vital. Sound U.S. policies aimed at shaping events in the Middle East are crucial to sustained global security, economic growth, well-being, and peace.

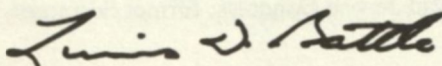
The complex of intertwined issues and interests—strategic, political, economic, ethnic, and religious—has been the subject of endless debate in the region as well as in the West, and between the regional powers and the West. In fact, Western policy divisions have been more common and more pronounced than Western policy coordination in regard to the Middle East.

Growing Western interdependence with the Middle East and the traditionally diverse and often divergent policies of the West toward the Middle East have combined to produce a heightened sense of urgency to help shape developments in order to lessen tensions and reduce conflict. It is these factors that have led the Atlantic Council of the United States and the Middle East Institute to undertake a policy review, in the hope of defining for the United States a policy that the American public, the Executive branch and the Congress could endorse, and which our friends and allies would support as contributing to global stability and their own security.

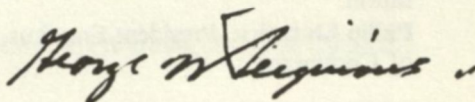
Critical to the authority and credibility of the policy review and the resulting policy recommendations is the composition of the Working Group that has participated in their formulation. The Working Group (listed on pages 6-7) is rigorously bipartisan, extensively experienced, and, in terms of key issues, balanced. However, with a series of issues as complex and as contentious as these, of course not every member of the Working Group agrees with every word, much less every interpretation of this Policy Paper. The co-rapporteurs, Robert Hunter and Geoffrey Kemp, have labored long and hard to reflect accurately the issues on which consensus emerged and, where no consensus developed, to clarify the options considered. Several Working Group members have drafted additional comments and dissents, which are found in footnotes and in the appendix.

This project has been made possible by the support of institutions and individuals. We especially thank the Andrew W. Mellon Foundation, and the Pew Charitable Trusts for their generous multi-year grant, and the General Electric Foundation for its important support.

Given the breadth of the issues and the range of the options in this most controversial subject, it is with gratitude to all members and participants that we conclude our work. We deeply appreciate the opportunity to have worked with a group of highly knowledgeable people willing to contribute their time and expertise in such a constructive manner.



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# WESTERN INTERESTS AND U.S. POLICY OPTIONS IN THE MIDDLE EAST

## I. Introduction

This report reflects the best judgment of a diverse group of individuals who are concerned about U.S. policy in the Middle East and toward the Western alliance. We have met because of a common sense of urgency. We believe that matters in the Middle East are progressively deteriorating\* in ways that, if left unchecked, will cause major damage to Western interests. Discussion of these issues is timely because of continued lack of progress in Arab-Israeli peacemaking, the crisis in the Persian Gulf, and new Soviet diplomatic activism throughout the region. With a new U.S. administration certain to take office in 1989, we offer this analysis and these recommendations both to current officials and to those who will soon assume power. Our emphasis is on policy. Thus we concentrate on the next few years, not on the distant future.

Given the diverse nature of this group, it should not be surprising that we have not reached consensus on all issues. But we are at one in believing that the United States continues to have a key role to play, and that it must establish an effective bipartisan policy toward the Middle East. The alternative, in our judgment, will be a continuing decrease in U.S. influence in the Middle East, possible war between Israel and one or more of its neighbors, a worsening of the Persian Gulf crisis, a compounding of indigenous problems and human suffering, and progressive damage to Western interests throughout the region and in the Western alliance.

## II. Background

Since 1981, and until the beginning of 1987, the problems of the Middle East attracted less sustained attention from American policymakers than during the tumultuous 1970s. There was episodic concern with Lebanon, terrorism, Libya, and major battles between Iran and Iraq. But these and other matters in the Middle East, such as Arab-Israeli peacemaking, only sporadically produced major U.S. diplomatic initiatives in the area. They certainly did not lead to a comprehensive set of policies for the region. A partial exception was the Reagan Plan for Arab-Israeli peacemaking in September 1982, but it made no progress. In the military area, the United States increased its cooperation with several friendly states in the region and further developed close working relationships with Israel, Egypt, Saudi Arabia, and Oman.

There were several reasons for the relative dearth of U.S. diplomatic initiatives in the Middle East from 1981 to 1987. After the signing of the Egyptian-Israeli peace treaty in 1979, Egypt no longer posed a military threat to Israel, and the risks of a major Arab-Israeli war appeared to decline. Thus the perceived risk of U.S.-Soviet confrontation also declined. Indeed, Israel's invasion of Lebanon in 1982 was the first Arab-Israeli conflict since 1948 in which there was no threat of such a superpower confrontation.

Farther East, the Iran-Iraq war continued without resolution, but the oil flowed, and U.S. dependence on Gulf oil dropped below the point at which the U.S. economy could be directly crippled by a shut off of supplies.

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\*Pete Schenkkan disagrees, noting that some developments are clearly favorable to American interests and goals (e.g. the defeat of the PLO's military prospects, the chastening of Qaddafi), and most are indeterminate.

Meanwhile, the Soviet Union failed to win its war in Afghanistan to the point of being able to use that country as a base for projecting power toward the Gulf. And the risk that the Soviet Union would invade Iran—which seemed so palpable to many officials in the Carter administration in 1980—had greatly receded.

In 1987, however, the Middle East reemerged as a major challenge for the Reagan administration. Four events helped put the area back on the top of the agenda: the embarrassing disclosures that the White House had authorized arms sales to Iran; the escalation of the Iran-Iraq war and the administration's decision to reflag Kuwaiti tankers and escort them in and out of the Persian Gulf; vigorous Soviet diplomacy in the area, including calls for an international conference to resolve the Arab-Israeli conflict; and Palestinian rioting on the West Bank and Gaza in the closing days of 1987 and into 1988.

As the events of 1987 have reminded us, the Middle East, from one end to the other, continues to pose serious threats to Western interests. These interests, not listed in any order of priority, include:

- preventing Arab-Israeli hostilities;
- pursuing a just and lasting peace;
- promoting the Western commitment to Israel;\*
- securing relative stability in the region overall;
- containing Soviet power and limiting Soviet influence;
- insuring security for the flow of oil at a reasonable price;
- keeping the Iran-Iraq war within bounds if it cannot be halted;
- promoting financial and economic relations with, and opportunities in, regional states;
- meeting the challenge posed by Islamic fundamentalism and similar movements; and
- contributing to economic progress and the amelioration of human suffering—e.g. Lebanon and the problem of Palestinian refugees.

Since early 1987, the United States has adopted a more vigorous stance in the Persian Gulf, ostensibly designed in part to promote a cease-fire and peace talks between Iran and Iraq. At the time of this writing, the United States had expanded its naval presence in the Persian Gulf, accompanied by ships from several allied navies. The United States had also begun to explore more active cooperation with the Soviet Union on the Arab-Israeli agenda.

At the same time, not all the Western allies have the same interests in the region, nor are all of them equally affected by regional developments. There are significant differences of view as between the United States and many West European states, especially regarding policy towards Israel. But all the Western allies stand to lose if they fail both to understand what is happening in the Middle East and to act in time.

#### A. THE EASTERN MEDITERRANEAN

In the zone of Arab-Israeli conflict, attitudes toward threats to Western interests depend on several key assumptions. Most significant is the assumption that Israel and Syria will not fight a major war so long as Egypt stands apart from the Arab-Israeli military balance. Yet the Syrian-Israeli relationship is clearly dangerous. Both sides profess that they do not want war, but both have been preparing for such a contingency. The fact that neither is in control of events in South Lebanon adds special dangers to this bitter confrontation.

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\*George McGhee believes that Western interests also include persuading Arab states that we have an even-handed Middle East policy.

Given the power of modern weaponry in the Syrian and Israeli inventories, the relatively short distances separating the vital assets of adversaries in the region, and the potential volatility of local politics, no one can rely upon military technology to provide stability. New generation aircraft, ballistic missiles, and chemical weapons pose added threats and concerns. There is also widespread belief that Israel has nuclear weapons and, for the longer term, one or more Arab countries seems likely to seek a nuclear capability. Today, the United States and the Soviet Union would have strong incentives to unite in preventing a major Arab-Israeli conflict or, if it occurred, to join in containing and halting it. But earlier Arab-Israeli conflicts posed risks for superpower relations, and imperishables are endemic in this conflict.

Prospects for conflict resolution also depend on the assumption that Egypt remains committed to peace with Israel and productive relations with the West. Yet should a regime come to power in Cairo that changes direction in one or both of these areas, the implications for the West could be immense. This need not mean that a new regime would abrogate the treaty with Israel, call for the removal of the Multinational Force and Observers (MFO) from the Sinai Desert, or engage in renewed combat with Israel. However, the prospects for extending a revived peace process to other Arab states—low at the moment—would end. The lesson would be underscored for other moderate Arab governments that close relations with the United States can impose heavy, perhaps lethal, domestic penalties. If it were denied transit rights through and over Egypt, the United States could be severely hampered in projecting military power to the Persian Gulf.\*

Furthermore, ominous trends point to more strife, including confessional conflict within Lebanon, the further radicalization of youth in several cultures, the rise of fundamentalism—Shi'ite, Sunni, Jewish, Christian—that fosters retreat from any spirit of compromise, uncertainties about the future of individual governments—including those in Egypt, Syria, and Jordan—and added stresses from economic difficulties that, in part, are by-products of reduced oil prices.

Resolution of the terrorism problem, and even of the larger Arab-Israeli problem, is inextricably linked to resolution of the Lebanon problem. As long as that country remains in a state of anarchy, it will be a breeding ground for terrorism and a refuge for terrorists.

## **B. THE PERSIAN GULF**

For several years, the episodic nature of major military offensives in the Iran-Iraq War has often lulled the West into believing that the Persian Gulf is of secondary importance. The oil glut has continued; prices remain low compared to what they were at their peak; and a far smaller percentage of Persian Gulf oil now passes through the Strait of Hormuz than was true a decade ago.

Yet the Persian Gulf always contains serious risks for Western interests. Although the United States may not now be directly dependent on oil imports from the Gulf producers, the opposite is true for virtually all West European countries and Japan, and the Gulf region still contains the bulk of the world's proved oil reserves. Nor could the United States insulate itself from the indirect effects—economic, political, and security—of an oil stoppage that immediately affected other Western states or, for that matter, major Third World countries. And the United States does share a considerable interest in productive financial and commercial relations within the region.

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\*Pete Schenkkan sees no need to make the statements in the third, fourth, fifth and last sentences of this paragraph. He believes the fourth sentence is false, and the fifth rests on implicit assumptions about possible futures that might be false.

In analysis that prevailed throughout 1987, two risks were seen to stand out. One was that Iran would prevail in the war with Iraq, perhaps—at the extreme—to the point of seizing substantial amounts of territory in important areas, forcing a change of regime in Baghdad, spreading Islamic fundamentalism, threatening neighboring Arab states, and even stimulating internal unrest as far away as North Africa. The other apparent risk was that Iran, either under Iraqi military pressure, war-induced internal stress, or struggle for succession to the Ayatollah Khomeini, would become sufficiently unstable—at the extreme, through civil war and disintegration—to give the Soviet Union an unprecedented chance to gain significant if not decisive influence in Iran.

With the U.S. reflagging of Kuwaiti tankers and the build-up of Western naval power in the Persian Gulf, the first of these risks has clearly come to dominate U.S. government attitudes. But the other possibility—political collapse in Iran—could also happen suddenly, thus posing severe threats to Western interests.

In time, domestic developments within other Persian Gulf countries could lead to a souring of relations with the United States or other Western countries and, under circumstances of internal conflict, to some physical stoppage of oil supplies even if successor regimes wished to continue exporting.

The potential role of the Soviet Union has also been brought into sharp relief. With the Gulf Arab states, that role is still very much limited: Moscow has established diplomatic relations with Kuwait, Oman, and the United Arab Emirates. But the Soviets are now playing a much more active role in diplomacy concerning the Iran-Iraq war, challenging not just what was once the United States's near-monopoly of regional influence, but also its primacy.

Furthermore, the growth and spread of fundamentalism, internal problems because of social inequality, corruption, and economic and cultural stress, the possibility of a new "Nasserite" pan-Arab movement, and further disenchantment with the United States and other Western states—all these factors could lead in the next few years to progressively reduced Western influence and presence in the Persian Gulf region and in other parts of the Middle East. These changes would not necessarily mean a sharp increase in Soviet influence, at least not at first. Even so, as the following discussion will make clear, the West will continue to have major interests in the region that will be best served by being directly involved, beginning with a network of relations with friendly states.

### C. TERRORISM

Finally, there is Middle East terrorism, which has attracted growing attention, concern, and alarm in the West—nowhere more so than in the United States. The threat of violence to individual Americans and other Westerners may not be appreciably greater than at home from domestic causes or than in some other parts of the world—individual Latin American countries, for example. Yet the incidence of terrorism perpetrated in Europe by people from the Middle East, magnified by television in bringing images into Western homes, has helped make terrorism a major domestic political concern in the West.

There has also been a growing incidence of state-sponsored terrorism, especially by Syria, Iran, and Libya. This terrorism creates special problems for the United States and other Western nations, both in terms of efforts to prevent and punish it, and in terms of other dealings with these same nations. This matter became acute in 1986, when terrorist actions by Libya and Syria were documented in Europe and climaxed with the U.S. air raid against Libya in April 1986 and Britain's decision to break diplomatic relations with Syria in November 1986.

There are differences of opinion within the Western alliance and individual countries about the best way to fight terrorism.\* These differences include the relationship of terrorism to particular causes and whether dealing with these causes should also be an appropriate aspect of anti-terrorist policy. Furthermore, as demonstrated both by U.S. military action against Libya and revelations of U.S. dealings with Iran, the terrorist issue has broader implications for the conduct of the Western alliance.

### III. Implications for the Western Alliance

Viewing these developments from the U.S. standpoint, it might be tempting to see the Middle East as an American preserve, to be dealt with or ignored as analysis of U.S. interests dictates. As will be developed below, that cannot be done. In the post-war world, the United States has progressively come to play the dominant Western diplomatic role in Arab-Israeli matters, highlighted by the aftermath of the wars of 1956, 1967, and 1973. Since 1971—with the end of Britain's role East of Suez—the United States has progressively assumed burdens on behalf of the West in the Persian Gulf, although Britain and France have continued to maintain small military presences in the region, there has recently been more allied cooperative activity, and all West European states plus Japan have major economic interests there.

Perspectives vary both from state to state and within them. Here, as elsewhere, it is inadequate to lump all the allies and other concerned states under the rubric "European," although, for purposes of formulating U.S. policy, that term can have value and will often be used here as shorthand.

The key West European countries with interests and wide experience in the Middle East are Britain, France, and Italy. All three have been colonial powers in the region and retain strong links with most of their former colonies. France also believes it has a special role in Lebanon, and for a time in the early 1980s Italy became interested in playing a more active role in the Eastern Mediterranean.

Turkey is a special case. From a political perspective, it is regarded as a West European country. In view of its geography and culture, however, Turkey is also very much a Middle Eastern nation. Indeed, its 600,000-man army plays a critical role in deterring Soviet ambitions, not just toward southeastern Europe but also toward the Middle East, including the Persian Gulf. While this report does not dwell on the specific role that Turkey plays in Western defense policy in the region, the importance of this country cannot be stressed too strongly.

Spain, meanwhile, has unique ties to North Africa and is now developing ties to Egypt and the Persian Gulf states. Greece has ties to the region because of geography and history, it has developed close links with Syria, and it plays a special role among West European states in regard to the Palestine Liberation Organization (PLO). The Federal Republic of Germany has three particular elements in a Middle East policy that it otherwise shares with most of its European partners: its economic interests in Iran and the Arab world, its concept of moral obligation to Israel, and its traditional ties and special trade and arms supply interest in Turkey. The Scandinavian countries have long taken part in Middle East peacekeeping operations and generally agree on broad policy issues, tending to side more with Arab than with Israeli perspectives on peacemaking. Norway, however, is unique among them in not being dependent on

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\*See "Combatting International Terrorism: U.S.-Allied Cooperation and Political Will," Report of an Atlantic Council Working Group, Dr. Stanley Bedlington, Rapporteur, 1986.

Middle East oil. Belgium and Holland have perceptibly different attitudes from each other, with the latter having traditionally been one of the European states that is most supportive of Israel. Both Ireland and the Netherlands have contingents with the United Nations Interim Force in Lebanon (UNIFIL). Meanwhile, European Political Cooperation—organized within the European Community—deals not only with the Arab-Israeli conflict but from time to time has developed a Euro-Arab dialogue.

Not only do West European states differ from one another on some policies toward the Middle East, but on occasion there are differences of viewpoint within individual governments on specific issues. These are most noticeable in France, where the Elysée Palace and the Quai d'Orsay sometimes take very different positions from one another.

In no West European country, however, are domestic political and bureaucratic disputes as intense or significant as in the United States. Indeed, American policy on the Middle East cannot be understood without taking into account the domestic dimension. Given the range of opinion present within this study group, it was not surprising that it divided sharply concerning the extent to which supporters of Israel have significant political influence on Capitol Hill and in U.S. politics in general, as opposed to their playing a role similar to that of other interest groups. Some members believed that U.S. policy toward the Middle East is seriously distorted by the influence of the Israel lobby. Others disagreed strongly with this view. Division within the study group also occurred on the attitudes believed to be prevalent among State Department career officers. Some study-group members detected a pro-Arab mindset on both Arab-Israeli and Persian Gulf issues, while others disputed this view.

There was also middle-ground commentary that American decision-making on Middle East policy usually involves highly complex interactions among factions in all parts of the U.S. government. Thus, according to this view, to talk of a State Department position on the Arab-Israeli conflict is often meaningless in terms of bureaucratic politics. Individual bureaus and offices bring different perspectives to each issue. Nor, in this view, is it correct to argue that Congress will march in lock-step with the interests of Israel or any other nation. Proponents of this view cited the broad support for Israel's survival and its goal of peace within the American body politic.

Most important, however, these differences of perspective did not divide the study group in terms of assessing overall U.S. interests in the Middle East, threats to them, or the need for vigorous and thoughtful U.S. diplomatic engagement.

#### **IV. The U.S.-European Experience in The Middle East**

In understanding the background of U.S.-West European interests and relations in the Middle East, it is worth reviewing and analyzing at the outset what has happened in practice in the region. A recent example of close, painful, and yet illuminating cooperation between the United States and some West European states was the Multinational Force (MNF) sent to Beirut in the summer of 1982, following the Israeli invasion, and finally withdrawn in early 1984.

Opinion in both Western Europe and the United States regards the Lebanon operation, on the whole, as a failure. Yet the experience sheds light on the practical nature of U.S. and European agreements and disagreements on Middle East matters. When the U.S. government first proposed the introduction of

a multinational force to assure the PLO's withdrawal from Beirut, the French and Italian governments agreed for their own reasons. France had its long history of involvement in Lebanon. Italy had renewed concerns about its role in the Eastern Mediterranean. Britain also joined in the fall of 1982, but its contingent was much smaller, and it undertook the commitment more in response to American appeals than was true for France and Italy.

The MNF's reintroduction into Beirut in September 1982, following the assassination of Bashir Gemayel and the Sabra-Shatilla massacres, led to major trouble, in part because the mission lacked precise guidelines. Yet during the 18-month period of the MNF's second stay, there was considerable allied understanding on many issues, including the use of force.

Following the bombings of the U.S. and French barracks on October 23, 1983, the French took the lead in proposing joint action against Syrian-controlled areas. U.S. hesitancy prevented agreement. France therefore launched its own air strikes, followed by the United States. France's actions in Lebanon, together with the occasional forcefulness of its policy in *francophone* Africa, have demonstrated that it will use force when that is in French interests.

The Lebanon operation suggests that, when the circumstances are right, the interests of the United States and West European allies can be reconciled. Despite differences of opinion on particular policy issues, military cooperation—when attempted—has worked well.

Thus in 1984 the British and French navies cooperated with the U.S. Navy in preparations to keep open the Strait of Hormuz during the Iraqi-initiated tanker war in the Persian Gulf. In the spring of 1984 navies of many countries joined in sweeping the Red Sea of mines whose origin has never been adequately explained.

In addition, since 1984 discussions have taken place within the Western European Union (WEU) over outside-of-area interventions by WEU members. The Red Sea mining was an incentive for these discussions. Since then, there has been a tacit consensus that the Middle East and North Africa are areas of direct interest to WEU. Much information is exchanged on activities of the member states.

Other cooperative efforts occurred in 1987 when five European allies, individually, deployed or increased deployments of warships to the Persian Gulf. This did not reflect a WEU decision, although Belgium and the Netherlands found it useful to present their participation as part of a WEU effort. In October 1987, the WEU members agreed on cooperation among their capitals, as well as among their navies and merchantmen in the Gulf. Meanwhile, West Germany agreed to take up some of the slack in the North Sea and the Mediterranean, and Luxembourg provided financial support for the Dutch and Belgian forces in the Gulf.

The purpose of these West European naval deployments in the Persian Gulf was only in part designed to signal their concern over threats to shipping, however. More important for most of them was a desire to gain influence over U.S. policy-making for the Persian Gulf and to avoid the kind of popular and congressional reaction in the United States that attended the failure of the allies, save Britain, to support the U.S. bombing of Libya in 1986.

Whatever the motives, however, a precedent has been set: under certain circumstances, West European states are prepared to act together and with the United States in helping to secure interests in the Middle East.



## V. The Role of Japan

Japan's role in the Middle East is different from that of both the United States and West European states. Having neither the historic, geopolitical, nor ethnic concerns that have so influenced the Atlantic and Mediterranean nations, Japan's interests in the region are primarily energy-related. Tokyo has made some low-level efforts to broker a cease-fire between Iraq and Iran, but it has played no direct role in the Arab-Israeli conflict, and it has tried to appear neutral in international forums such as the United Nations. However, most Japanese companies that do business in the Middle East have adhered to the Arab boycott of trade with Israel.

Hesitant at the best of times to be assertive in conflict resolution, Japan has been deterred by the problems inherent in issues as sensitive as the Arab-Israeli conflict from doing more than making the most bland pronouncements about the Middle East. To be sure, at the end of the 1970s when oil markets were extremely tight, Japan did consider developing a relationship with the PLO, but that interest fell with the price of oil.

Japan is more alert to economic matters in the Middle East. Its dependence on Persian Gulf oil is much greater than that of the West Europeans. Yet the Japanese have rarely shown as much concern about access to oil. In part, this reflects Japan's huge financial reserves. In part, it reflects Japan's dependence on the United States to do whatever is necessary to protect interests that Japan shares with other Western states.

So long as the world oil glut continues, Japan's relatively relaxed attitude makes sense. Yet a return to tight oil markets or a major stoppage of exports from the Persian Gulf would directly affect Japan, especially at a time when the U.S. economy is under pressure and the question of equitable burden-sharing with allies has become an issue in U.S. domestic politics.

Although Britain, France, and other NATO allies could provide support, in the last resort any effort to ensure the flow of oil would require the involvement of U.S. military forces. This is the insurance that covers all countries, rich and poor, that depend on Persian Gulf oil. No one expects Japan to expand its naval reach to Southeast Asia—its other major source of oil—let alone the Middle East. But the United States and other Western states will expect Japan to provide greater economic resources to support overall Western interests in the region, as part of a Western division of labor for the Middle East. This includes economic aid to key strategic countries such as Egypt, Pakistan, and even Turkey. In the fall of 1987, the Japanese government announced its willingness to offset more of the costs of maintaining the U.S. Seventh Fleet in the Western Pacific. This was seen as a clear gesture by Japan to contribute indirectly to U.S. Persian Gulf naval operations.

## VI. Key Issues and Linkages

It is clear that U.S., West European, and Japanese interests overlap on many critical issues affecting the Middle East. To put these in some order of priority requires judging why some issues are more important than others. It is also important to consider long-term developments that will have a profound impact on the region and on the roles of outside powers. These developments include: increasingly youthful populations; economic modernization, especially uneven development from country to country; the role of religious fundamentalism throughout the region; cultural conflicts superimposed on other sources of difficulty; and a host of economic stresses that will also rise and fall in step with

trends in Middle East oil markets. These factors are already shaping new attitudes toward political participation. In brief, elite politics are withering, while mass politics are gaining ground from one end of the region to another.

Nevertheless, for purposes of economy in presentation and clarity of focus in a policy document, this report focuses primarily on four more immediate issues that are likely to influence relations among the United States, Western Europe, and Japan in the relatively near future: 1) the Arab-Israeli conflict; 2) international terrorism emanating from the Middle East; 3) the Iran-Iraq war and the supply of oil; and 4) the policies and priorities of the Soviet Union in this area.

It is important to see all these issues in perspective. If it were not for the U.S.-Soviet global competition, the importance of Middle East oil, and the impact of Middle East terrorism on domestic perceptions in the West, then the Arab-Israeli conflict and the Iran-Iraq war would be relatively minor, though also tragic, crises to all but those bound up in the emotions of the various conflicts and with allegiances to particular countries and peoples. This would be relatively less true in Western Europe—with its proximity to North Africa and large communities of minorities from the region—than it would be in the United States, but the point of perspective is still valid.

Certainly, the Arab-Israeli wars pale in comparison with many others fought in the Third World since 1945, not only in terms of territory involved, but also in terms of duration and casualties. The Iran-Iraq war has been exceptionally bloody, but not more so than wars in Southeast Asia. It is the linkages between these Middle East wars and oil, terrorism, and the Soviet Union that make them so important in global politics and economics. These linkages give the United States and Western Europe strong interests in trying to seek ways, if not to resolve problems, at least to contain them.

#### A. *THE ARAB-ISRAELI CONFLICT*

Three elements of the Arab-Israeli conflict are most likely to lead to instability and possibly war: Israel's increasingly restless Palestinian population and the debate within Israel about what should be done; the increased tension created by the three million Arab refugees outside Israel; and the Syrian-Israeli relationship, which remains a potential source of major conflict.

The Palestinian problem has become more important within Israel for two reasons. First, Palestinians living in the occupied territories of the West Bank and Gaza have become increasingly vocal in their objections to continued Israeli military rule. This has been made manifest in demonstrations, both peaceful and violent, against the authorities. These have made every Israeli aware that any plan to absorb or annex these regions would pose severe and continuing security problems. Israel would face dilemmas regarding the status of the Palestinian population: should they be granted full citizenship or isolated within their own autonomous enclaves and treated as second-class citizens? This dilemma will be compounded by the fact that the population of the Arab community is growing faster than that of the Jewish community. Other options, equally contentious in Israel, include handing back most of the territories to Jordan or inducing by money, or other appropriate means, the local Palestinian population to emigrate.

The second reason for the importance of the Palestinian problem in Israel relates to the Arab population that has lived since 1948 within the old pre-1967 borders and who, by law, are Israeli citizens. Should this growing population be given full citizen rights, including the duty to serve in the army and pay full taxes? Or should they continue to be treated somewhat differently from the

Jewish population? These questions raise deep problems of reconciling the "Jewishness" of Israel with the need to have a democracy that is recognized as legitimate internationally—and especially in America.

Concerning Israel's external relations, the possibility of conflict with Syria over fundamental questions of peace and war cannot be easily dismissed. Both countries are equipping themselves with advanced weapons and have special relations with, respectively, the United States and the Soviet Union. Save for the Iran-Iraq war, of all the regional conflicts in the Third World a Syrian-Israeli war is most likely to raise the specter of direct U.S.-Soviet involvement. In Syria, the Soviet Union finds itself supporting—albeit reluctantly—a country over which it has no firm control. Yet it is fearful of losing its one major foothold in the region. The United States has a much deeper commitment to Israel's security and survival.

This set of interconnected relationships need not inevitably lead to conflict. But it does suggest that, in the absence of some resolution of the three major issues that, in different ways, divide Israel and Syria—the Palestinian problem, occupied territory, and Lebanon—the risk of war continues. So far, however, the Soviet Union has been a cautious player when Arab-Israeli wars have actually occurred.

Since the late 1960s when the United States assumed primary responsibility for Arab-Israeli peacemaking, it has borne that responsibility virtually alone—in part by choice, in part by necessity. With occasional exceptions, such as Lebanon in 1982–84, the West European allies have commented and advised from a distance but have been unwilling to commit major diplomatic or material resources to resolution of conflict. At the same time, the United States has rarely sought to engage its allies in the peace process, even when individual governments or the European Community as a whole have been disposed to take part. Indeed, it has often been disposed to keep its allies at a distance. Differences of perspective can be seen in the treatment of individual issues.

1. *The Palestinian Question.* In Western Europe\*, the Palestinian problem is viewed not just as one element of the Arab-Israeli riddle, but as the central factor, to a degree not matched in the viewpoint of U.S. administrations. While few serious European analysts would argue that the whole region would be peaceful if the Palestinian problem were settled, most see this step as indispensable to greater stability and to better Western relations in the area. Thus, many West European countries have toyed with according formal recognition to the PLO and some, such as Greece, have found less formal ways to confer what is essentially the same thing. These tendencies have decreased with the downward pressure on oil prices and disarray within the PLO. In addition, the formal position of European Political Cooperation—the rudimentary foreign policy-making apparatus within the European Community—provides for the PLO to be associated with negotiations for self-determination for the Palestinian people. This phrase is generally but not always used to mean an independent Palestinian state on the West Bank and in Gaza.

Well-informed Americans recognize that European positions are often divided, but among the less-attentive public and in Congress, the West Europeans are believed to be responsive to the PLO and to the Arab position on the Palestinian question, more for economic than for ideological or political reasons.

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\*George McGhee believes that the Western Europeans analyze Middle East issues in much the same way as the United States. See Mr. McGhee's comment in the Appendix.

2. *Relations with Israel.* The United States has long had a special relationship with Israel. In recent years, and especially as U.S. strategic interests in the region have focused upon the Persian Gulf, the U.S.-Israeli military relationship has varied. Since the end of 1983, however, the overall relationship has developed new dimensions of economic cooperation, including a free trade zone and Israeli military sales to the United States. In areas such as technology transfers, port visits, and intelligence sharing, U.S.-Israeli strategic cooperation has progressively been made more explicit. This has been done largely at Israel's request, although it has received increasing support from the U.S. military and intelligence services that see direct benefits in many of the ventures.

Within most of Western Europe, by contrast, the closeness of the U.S. relationship with Israel is seen as suspect—a view with some, but limited, support in the United States. Most Europeans regard the United States as unduly biased on Israel's behalf both in peace negotiations and in military action. It is a general premise of European attitudes toward peacemaking that there must be a more even-handed approach, both on all issues—including the final status of the city of Jerusalem—and on political orientation toward the contending parties.

3. *The Peace Process.* The Camp David Accords of 1978 became the chosen instrument of the United States because of what it has believed are the practical realities of regional politics. In contrast with convening a major international conference that would include Syria, the PLO, and the Soviet Union, the U.S. government until recently believed that progress was more likely to come from a step-by-step approach to peace. This would minimize the ability of any one country or party—e.g., Syria—to stymie all progress. It would also provide time for Israel and others to adjust, politically and psychologically, to each new step and each new reality. With some variations, this has remained the basic orientation of American policy during most of the Reagan administration.

In February 1987, however, the administration endorsed the concept of an international conference that would provide an "umbrella" for Israeli-Jordanian-Palestinian talks. That endorsement was heavily conditioned, and it was responsive to the initiatives of Israel's Foreign Minister Shimon Peres and his support for such a conference. In October 1987, the Reagan administration went a step further and endorsed the idea of U.S.-Soviet joint sponsorship of a conference.

West European opinion fully supports U.S. skeptics who believe that the step-by-step approach in general, and fulfillment of the Camp David Accords in particular, are inevitably doomed, either to Israeli intransigence—why should it move further now that it has peace with Egypt?—or to the veto held by Syria and the PLO. By this logic, a comprehensive approach may not be ideal, but it is necessary if progress is to be made on any front. On the Palestinian problem, according to this view, the PLO must be directly engaged. Regarding the emergence of an independent Palestinian state, the European Community stands ready to help provide regional security guarantees.

Furthermore, most European governments believe that the U.S. government could have played a more active and even-handed part in Arab-Israeli peacemaking during the past several years. U.S. leadership is severely faulted by many West European governments. However, this impatience has not been as manifest as it was during the 1970s: the zone of Arab-Israeli conflict is simply not as important as it was to the United States or Western Europe. The Venice Declaration of 1980 was the high-water mark of efforts by the European Community countries to put forward their own coordinated, comprehensive plan for the peace process. In February 1987, for example, the Community backed the idea

of an international peace conference and began its own soundings. But this and other actions did not have the intensity and impact of the Venice Declaration.

## B. TERRORISM

Terrorism emanating from the Middle East has become important, not primarily because of the degree of suffering and physical damage it causes, but because of the systematic effort to select targets for dramatic impact.

Serious divergences across the Atlantic on the question of terrorism include little understanding of each other's viewpoint. This was highlighted by the 1986 controversy over the proper approach to take toward Libya. Neither the U.S. government nor most Americans were prepared to understand the "European" point of view. A similar lack of understanding of U.S. attitudes was true almost universally in Europe, save for some French public opinion and the British government of Margaret Thatcher.

Most significant differences exist in two areas: methods and causes. West Europeans—plus some Americans—opposed U.S. military action against Libya for many reasons. The United States was variously believed to have chosen the wrong target (Libya), to have been ineffective, to have caused too many civilian casualties, to have risked increased terrorism in Western Europe (as opposed to the United States), and to have distracted attention from more important missions of the North Atlantic Treaty Organization (NATO)—while risking further erosion of popular support for any military activity emanating from Western Europe.

Many West Europeans also saw U.S. actions as reflecting a more general pattern of unilateralism, which has been affecting alliance comity for several years. And Europeans believed that Americans exaggerated the threat of terrorism to themselves, both absolutely and in comparison with the threat to West Europeans and others. Revelations in November 1986 that the United States had been dealing with Iran, trying to exchange weapons for American hostages held in Lebanon, further reduced the credibility of the U.S. position in West European eyes and raised further questions about the basis for cooperation against terrorism.

Until recently, many Americans have viewed their European allies as less sensitive to the threat of terrorism, and as inhibited in acting because of ties to Arab states, especially because of oil. However, tough action in the fall of 1986 by Britain, Italy, and West Germany against Syria and Libya has changed this attitude somewhat. Furthermore, the U.S. view—that there must be far more cooperation in intelligence-sharing, airport security, and assured justice or retribution for terrorists—is gaining ground in Western Europe.

Anti-terrorist actions by the European Community in 1986, especially against Libya and Syria, were coordinated within European Political Cooperation, as well as within the so-called Trevi Group (the 12 member-state Justice and Interior Ministers). The Trevi Group has also worked effectively with the U.S. Justice Department, as well as with some non-EC European governments.

At the same time, the U.S. national preoccupation with Middle East terrorism has been significantly reduced in 1987. Some may be due to a decrease in terrorism against Americans. Some may also be due to lowered expectations, stemming from Iranian arms sales revelations, about the ability of the U.S. government to protect its citizens abroad.

More difficult to reconcile are U.S.-West European differences about the causes of terrorism. The prevailing view within the U.S. government is that these causes are multiple—including Lebanese strife, fundamentalism, and stresses

of modernization—that the causes are often overlapping, that they cannot be completely eradicated, that they are complicated by the role of state sponsors, and that they are either of secondary importance or distract from the need to focus on the fight against today's acts of terrorism. Some American observers have pointed to the fact that Middle East terrorism increased during 1985, when there was a fledgling peace process based on the February 13 agreement between Yassir Arafat, Chairman of the PLO, and King Hussein of Jordan. Furthermore, most terrorist acts in the Middle East have, in fact, been conducted by Arabs against Arabs, not against Israelis, Americans, or West Europeans. Even if settlement of the Palestinian question resulted in less terrorism against Westerners, it would not eliminate the problem of intra-Arab terrorism, which is often independent of the Palestinian problem.

The great majority of West Europeans, governments and publics alike, take a different view. They believe that understanding the causes of Middle East terrorism is central both to doing something about it and to developing a coordinated strategy. And they view the Arab-Israeli conflict—more precisely, the Palestinian problem—as uppermost. Thus the European allies consistently urge the United States to play a more active role in Arab-Israeli peacemaking, widely criticize it when it does not, and represent it as therefore less than fully committed to fighting terrorism.

### *C. THE IRAN-IRAQ WAR AND OIL*

The Iran-Iraq war continues to pose critical risks to Western interests, beginning with the supply of Persian Gulf oil. There has generally been no basic cleavage within the Western alliance over the war, because there is a common perception that the West has nothing to gain and much to lose from a victory by either side.

Yet tactical differences exist. France, for example, was long a leading supporter of Iraq and provided military supplies. For a time in 1987, however, it shifted somewhat toward Iran—supposedly because of French concern for its citizens held hostage in Lebanon and because of perceived economic benefits in Iran after the war ends. West Germany has kept lines open to Iran, as have Japan and, when possible, Britain. The United States, by contrast, has increasingly emphasized the importance of bolstering Iraq against the possibility of an Iranian military breakthrough and officially supported this policy by orchestrating a tough arms embargo against Iran. Until the Iranian arms sales scandal became public, the United States seemed to be more in tune with the position taken toward the war by moderate Arab states than were the more oil-dependent West Europeans. This seeming anomaly could be explained, in part, by residual American bitterness over the Iranian hostage crisis and the close U.S. security relationship established with Saudi Arabia and other Gulf countries.

This characterization of American popular attitudes helps explain the U.S. actions during 1985–86, when the administration continued publicly to espouse a hard line against terrorism and Iran, while covertly selling it arms. The purpose was to secure the release of American hostages held in Lebanon and to promote a dialogue with members of the Iranian government that could help bolster the long-range U.S. interest in Iran's independence of the Soviet Union. Relative lack of West European reaction to revelations about U.S. arms transfers to Iran can be explained, at least in part, by a widespread sense that U.S. anti-terrorism policy was, in any event, hypocritical and inconsistent, and that Western interests in the Persian Gulf do argue for Western ties to Iran, despite the character of its regime.

In early 1987, the United States agreed to reflag 11 Kuwaiti oil tankers in order to protect them from attacks by Iran, which were undertaken in retaliation for the so-called tanker war begun by Iraq. The flow of oil was not much affected: less than 1 percent of shipping had been attacked by either side. The United States acted for three reasons: to support Iraqi morale in face of possible major Iranian military pressure; to avoid the possibility that Kuwait would receive support from the Soviet Union; and to reassure the Arab states of the Persian Gulf that U.S. arms sales to Iran had been an aberration.

On May 17, an Iraqi aircraft struck the *U.S.S. Stark* in the Gulf, killing 37 American sailors. The attack was presumably an accidental byproduct of Iraq's tanker war, designed to bring outside powers into the conflict to press Iran to the bargaining table. After the attack on the *Stark*, the U.S. government reaffirmed its decision to reflag Kuwaiti tankers. It also appealed for help from its West European allies, especially after U.S. ships faced a threat from mines in the Gulf, for which the U.S. Navy had no immediate counter. As noted earlier, five European states responded, largely for reasons relating to the conduct of the NATO alliance. The allies also supported diplomatic efforts, primarily through the United Nations, to try bringing the Iran-Iraq war to a close.

At time of writing, the outcome of all these efforts is not yet clear, nor is it clear whether the United States and Iran will engage in major combat with one another. West European critics of U.S. policy—joined by some Americans, especially in Congress—feared that the United States was engaged in the wrong confrontation with Iran, because both countries share an interest in the flow of oil and containing the Soviet Union. The threat from fundamentalism might actually be increased by the U.S.-Iranian confrontation. In the region, itself, according to this view, the Soviet Union is likely to be the net beneficiary of U.S. policy toward Iran, particularly military attacks, and Moscow would also gain influence in Iran from any sanctions imposed against that country.

Beyond the current U.S.-Iranian confrontation, it is still conceivable, although not likely, that Iran or Iraq will score a military breakthrough. The capacity of any Western state to respond would be highly circumscribed, however, and the West should be wary of believing that outside military action would be decisive. Should major military involvement be required to protect Western interests, the United States would be called upon to bear most of the burden on behalf of all—and that fact could have consequences for U.S. public opinion toward the allies.

Regarding other potential developments in the Persian Gulf, oil and associated economic activity are still key factors in West European psychology even when, as now, relative dependence is down. Many observers, for example, believed that oil dependence played a major role in what appeared to be reluctance on the part of Britain's European allies to follow its lead in trying to quarantine Syria in October 1986 after evidence of Damascus' role in terrorism became incontrovertible. Other observers, however, believed that Britain had sowed confusion by increasing its demands at the last minute. According to this view, some other European states were reluctant because they believed it was necessary to keep channels open to Syria for peacemaking purposes.

Oil also provides the key linkage between events and politics of the Persian Gulf and those of the area of Arab-Israeli conflict (other major linkages center on the Soviet role and arms sales). For example, highly intricate diplomacy was required in 1981 to secure European participation in the Multinational Force and Observers (MFO) for the Sinai Desert, lest that act confer too much legitimacy on the Camp David Accords and the Egyptian-Israeli peace treaty, to the consternation of oil-producing Arab states. It took the shock of the death of

Anwar Sadat to change the policies of European states on the MFO.

The oil linkage between the Gulf and the Arab-Israeli conflict is also reflected by Western businessmen in all of their home countries. In the United States, however, this viewpoint is heavily offset by contrasting interests and concerns with Israel. Oil dependence has been preeminent in motivating efforts by West European countries to change U.S. policy and attitudes on the Arab-Israeli conflict.\* It will no doubt continue, to a greater or lesser degree.

Of course, the role of oil in West European attitudes is often exaggerated by observers in the United States. Other factors are also involved. These include the degree of U.S. willingness to play an active role in peacemaking in an area so close to Western Europe.

In general, the Persian Gulf has led to few disagreements within the alliance about threats to Western interests. Yet in comparison with its European allies, the United States has placed more emphasis on potential military threats—hence, its preoccupation with developing a Rapid Deployment Joint Task Force, now Central Command. The emphasis among attentive European audiences, meanwhile, has been more on domestic threats in individual Middle Eastern countries, on the risk of regional conflict, and on diplomatic and economic responses.

#### D. THE SOVIET UNION

The role of the Soviet Union in the Middle East, plus the role of the Middle East in East-West relations, has at times also contributed to differences between the United States and Western Europe. This was highlighted by problems within the alliance over sanctions against the Soviet Union following the invasion of Afghanistan. In general, the United States has been more concerned with the potential Soviet threat to Third World regions—as part of geopolitical competition—than have been the European allies. This has been especially true regarding the Persian Gulf. The allies have had a more narrow purview and are more concerned to preserve *detente* in Europe and to insulate it from all but the most extreme Soviet challenges to Western interests elsewhere in the world.

Indeed, the alliance is often deeply divided on the question whether Soviet behavior in the Middle East should be linked to other aspects of East-West relations, especially arms control. Most U.S. administrations have argued that there is value in such linkage, and that durable progress in East-West relations, overall, depends on Soviet restraint in regional involvements. The European allies, by contrast, are virtually unanimous in rejecting linkage and in putting primacy on arms control.

The role of the Soviet Union in the Middle East has been increasing in importance, in part because of its relationship with Syria, its practice of supplying arms to radical states like Libya and South Yemen, and its growing potential for influence and perhaps presence in the Red Sea, the Persian Gulf, and southwest Asia.

The Soviets' position could become more threatening to Western interests as a result of internal change in Egypt, decisive movement in the Iran-Iraq war, new Soviet actions in Afghanistan and toward Pakistan, or any one of a number of unexpected changes in local political dynamics—e.g., in North Yemen, Jordan, Tunisia, or Libya. There is also widespread West European concern—as indeed there is in Moscow and Washington—that conflict in the Middle East, especially a Syrian-Israeli war, could produce a U.S.-Soviet confrontation.

At the extreme, a Soviet invasion of Iran could require counteractions by

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\*George McGhee believes that this statement is impossible to prove.



the United States that would pose grave challenges to the cohesion of the Western alliance.\* Any deterioration of U.S.-Soviet relations in the Middle East could affect the reality or perceptions of *détente* in Western Europe and, hence, reinforce tensions within the alliance concerning the best way to view and conduct overall East-West relations.

In the past few years, however, the role of the Soviet Union in the region has been changing. Like the United States, the Soviet Union has had its fingers burned during the past two decades. It therefore may be more inclined to work with the United States to keep superpower competition from drifting into confrontation. More important has been the leadership of Mikhail S. Gorbachev. The Middle East is only one region in which he has displayed a new vigor and imagination in Soviet foreign policy. Debate continues, in both the United States and Western Europe, on whether he is seeking to reduce tensions abroad in order to concentrate on restructuring the Soviet domestic economy, or whether he is simply pursuing classic goals of Soviet foreign policy through more subtle and flexible tactics. In general, much of Western European opinion is prepared to give Gorbachev the benefit of the doubt. Many Americans, including several members of the study group, are more skeptical. Other members of the working group and many other Americans believe Gorbachev should be given a chance to prove his sincerity.

In any event, it is clear that the Soviet Union has become far more active in Middle East diplomacy. It has approached both parts of the Israeli government. For Prime Minister Yitzhak Shamir, the Soviets have held out the prospect of renewing diplomatic relations that were severed during the 1967 war and, at the same time, the prospect of increased Jewish emigration from the Soviet Union. For Foreign Minister Shimon Peres, the Soviets have given strong support to the concept of an international peace conference that would provide the umbrella needed by King Hussein to deal directly with Israel.

The willingness of the United States to endorse these latter efforts has gained considerable support in Western Europe, where the idea of including the Soviet Union in an international peace conference has firm backing. The U.S. stance has helped offset European concerns that the United States has been unprepared to engage in constructive Arab-Israeli diplomacy.

In the Persian Gulf, meanwhile, the Soviets have become deeply involved in regional diplomacy. They were prepared to provide limited support for Kuwait when it sought outside protection against Iranian retaliatory attacks. They proposed joint East-West security arrangements for the Gulf, but were rebuffed by the Reagan administration, just as the Carter administration did in 1980. They proposed a peace conference in Moscow, much as the Soviet Union played host to India and Pakistan at Tashkent in 1965. And they have sought to maintain good relations with both Iran and Iraq. Indeed, Moscow has made much of the fact that it can deal directly with both Baghdad and Teheran, something the United States cannot do.

At the same time, however, the Soviets have shown a clear understanding of the importance of Iran as the strategic "prize" in the region. Throughout 1987, they positioned themselves to take advantage of any American mistakes in the Persian Gulf. Thus they have been poised to seek influence in Iran in step with growing U.S.-Iranian confrontation. Indeed, key to U.S. debate on the augmented American naval presence have been judgments about the ability

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\*George McGhee believes that the Soviet invasion of Iran is so unlikely that it should not be made the subject of contingency planning and that by no means should possible use of nuclear weapons be raised.

of the Soviets to exploit the situation and to gain influence in a country that, historically, has sought to keep Russian and Soviet influence at bay.

There is no doubt, however, that the Soviet Union has in the past few years become a much more intense and competent competitor with the United States throughout the Middle East—from helping to reconcile dissident elements of the PLO to forgiving Egypt much of its debt and to attempting to cultivate Pakistan. How effectively the United States is able to respond will have a major impact on its role in the region, on the course of events there, and also on the view of the West European allies toward U.S. leadership.

## **VII. Other Concerns in the Alliance**

### **A. ALLIED MILITARY IMPLICATIONS**

Potential military threats to Western interests in the Persian Gulf also raise several major questions with significant implications for the Western alliance. One has already emerged over terrorism: under what circumstances would the United States be allowed to use its own forces based in Western Europe for out-of-area actions? Defining these circumstances, except where challenges to Western interests were completely clear-cut, could be difficult. The fact that such use would not be automatically assured is itself cause for tension within the alliance.

Furthermore, if the United States decides to increase its commitment to contingencies in the Middle East beyond the NATO treaty area, it must make choices about the structure and capabilities of its forces, both in Europe and elsewhere. If this entailed a drawing down of forces based in Europe—not just for individual contingencies as they arise but also for permanent garrisons—then the European allies would need to take up the slack on the European Central Front. The implications of such changes have not yet been considered adequately within the alliance.

The Western allies, collectively, have in general been reluctant to consider military operations in the Middle East, and most particularly in the Persian Gulf. At the extreme—an unlikely but still conceivable Soviet invasion of a disintegrating Iran—U.S. military planners would likely have to consider one or another form of escalation. These are “horizontal”—moving the locus of combat to a more favorable arena of action, e.g., Cuba; or “vertical”—possibly including the use of tactical nuclear weapons. These options seem fanciful now, but they could gain reality depending, in particular, on the course of the Iran-Iraq war. Indeed, with the possible exception of Syrian-Israeli conflict, the Persian Gulf is presently the only area in the Third World where nuclear confrontation between the superpowers is conceivable.

### **B. ARMS SALES**

Economic competition among the allies in the Middle East has been a source of disagreement that could spill over into attitudes and policies on other issues. Most important are different approaches to the sale of arms. Thus, increasing competition by various allies for sales within the region will decrease the ability of any one country to help establish or regulate local military balances. This is particularly important in the Arab-Israeli conflict, especially because U.S. restrictions on arms sales to countries like Saudi Arabia lead it to turn elsewhere—e.g., fighter aircraft bought from Britain—without limits on basing and use that might otherwise have been gained by the United States.

This development also reflects increasing attention by Israel's supporters in

the U.S. Congress to the flow of arms to Arab states that do not support the Camp David Accords. Jordan and Saudi Arabia have been most recently affected. The West Europeans share the U.S. administration's point of view that this attitude works against Western interests, because they believe it reduces rather than increases Arab incentives to be engaged in peacemaking. The West Europeans also agree with the Reagan administration that security in the Persian Gulf is strengthened by arms sales to moderate Arab states. At the same time, covert U.S. sales of weapons to Iran gave license to other countries to do so, as well, in parallel with unrestricted sales of weapons to Iraq.

## VIII. U.S. Policy Problems and Options: The Arab-Israeli Conflict

The Arab-Israeli conflict confronts the alliance with serious dilemmas. This fact merely underscores the need to understand the nature of Western interests and to explore various possibilities for ending the conflict.

The U.S. administration and West European governments do, however, generally agree on four points:

- First, there can be no final settlement of the Arab-Israeli conflict unless Israel and the Arab countries most directly involved in the conflict—Egypt, Jordan, Syria, and, to a lesser extent, Lebanon, and Saudi Arabia—take part in some way.

- Second, experience during the past few years suggests that none of the key Arab actors—states or movements—has the political strength or the will to take unilateral decisions without some endorsement from their neighbors. That implies that the Camp David Accords will not work. Most members of the study group concurred with this judgment; others, however, argued that, while difficult to pursue, the Camp David approach is still preferable to any suggested alternative.

- Third, the continuing impasse within Israel's coalition cabinet on the peace issue suggests that, until there is some plurality of opinion in Israel concerning the shape of an Arab-Israeli settlement, policies recommended by any Israeli government will be impossible to implement. Until after an election in Israel, fought on the specific issues in any peace proposal—especially on trading some of the occupied territories for peace treaties—it is doubtful that an Israeli government will have a mandate to make the compromises needed to reach a further Arab-Israeli agreement. Even then, an election that resulted in less than a clear endorsement for giving back some of the occupied territories could lead to domestic crises and possibly violence.

- Fourth, the overall conflict cannot be resolved without some form of Palestinian participation that is accepted on the West Bank and in Gaza as legitimate. There has, however, been disagreement on the way in which this participation can be expressed. The West Europeans look to the PLO. Since 1975, the U.S. government has pledged that it will not negotiate with or recognize the PLO, unless it accepts Israel's right to exist, accepts U.N. Security Council Resolutions 242 and 338, and abandons terrorism.

Beyond these four points, West European governments and the United States may be able to agree on at least two others:

- First, Syria and the Soviet Union each has considerable ability to disrupt efforts to reach Israeli-Jordanian and Israeli-Lebanese reconciliation, although in different ways and to different degrees. While Syria was unable to stop the Egypt-Israel peace treaty, the Camp David precedent, or Jordan's openings to

Egypt and Yassir Arafat, it would have a more effective veto on any substantive proposals involving the West Bank, Jordanian-Israeli relations, or Lebanon. Should Syria agree to movement in any of these areas, however, the Soviet Union would find it difficult to prevent progress.

• Second, in view of the political paralysis in Israel and the Arab states on peacemaking issues, no major movement toward peace is likely without the active participation of the U.S. government. This must include the direct involvement of the president of the United States. It is conceivable that one or more European states, or some common representation—such as in European Political Cooperation—could play a more active role in peacemaking. On two occasions in the late 1970s, European Community representatives did survey the area. Nevertheless, no European state or group of states so far has developed either the political will or the diplomatic capacity—in Europe or in the area—to undertake responsibility for Arab-Israeli-diplomacy, nor has the United States favored such involvements. For the foreseeable future, therefore, this task must fall to the United States, although it can seek assistance from its allies and must also increasingly take them into its confidence in crafting peacemaking alternatives.

In addition to these areas of existing and potential U.S.-European agreement, it is also critical for all the allies to assess the impact on Western interests if nothing is done in Arab-Israeli peacemaking. Time is not on the side of preserving Western interests. Also, the demographics on the West Bank and in Israel are undermining Israel's long-run position, while its occupation of the West Bank is undermining the Palestinians' position. An Arab-Israeli war may be less thinkable than in the past, but it is not *unthinkable*. Most observers believe that the unresolved Arab-Israeli conflict is also decreasing the chances of preserving Western—and especially American—presence and influence in the region.

#### A. BEYOND TERRITORY FOR PEACE

For many years, the prevailing formula for an Arab-Israeli settlement was based on the concept known by the slogan "territory for peace." This idea, along with the basic issue of negotiations—how, on what, and with whom?—was the cornerstone of peacemaking efforts and was outlined in the relevant paragraphs of U.N. Security Council Resolutions 242 and 338. The former calls for

... withdrawal of Israeli armed forces from territories occupied in the (1967) conflict... (and for) termination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force.

Today, however, it is harder to envisage a peace settlement based on the same set of assumptions. In recent years, Israel's building of sizable settlements on the West Bank and in the Jerusalem suburbs, on what were Arab lands, has changed the facts on the ground. While it formally supports the Camp David Accords, the Likud party opposes the idea of relinquishing total control, and the Labor party is not fully united on the question of territory for peace. Without a significant change in Israeli political attitudes, no government would agree to withdraw, even in exchange for a permanent, enduring peace, if this would mean what most Arab leaders still say it must mean—namely restoring the pre-1967 borders with minor adjustments, plus Israel's evacuation of East Jerusalem. Of course, Israeli cession of lesser amounts of territory—but not of East Jerusalem—might be possible under the right circumstances.

A major territorial compromise involving the West Bank and even some com-

plex relationship of shared authority over East Jerusalem might have been possible in the aftermath of the 1967 war. By the time of the Camp David summit in 1978, however, it was obvious that these problems were too difficult to be dealt with directly or immediately. They were enveloped in the so-called autonomy process for the West Bank and Gaza. Since 1978, problems over the West Bank and East Jerusalem have been compounded, both by the Israeli construction program and by the continuing unwillingness of Palestinian or other Arab leadership to contemplate major readjustments to the 1967 boundaries in exchange for Israeli withdrawal.

Nevertheless, at least in terms of maintaining a capacity for developing alternative approaches to peace, continued adherence to Resolution 242 is important. In practice, it may have to be modified. Indeed, there is already a precedent in the so-called Aswan formula, which proposed to permit an interpretation of Resolution 242 to encompass the legitimate rights of the Palestinian people. In both the United States and Western Europe, there is still considerable support for Resolution 242 as a key element of any framework for peace, if only because of its widespread currency and acceptance.

As in the past, process remains important; for process to work the idea of possible compromise is essential. In the absence of a major shift in attitudes on both sides of the conflict, it is highly likely that a different set of boundary lines would have to be drawn. These might, for example, be designed to provide Israel with greater security but no increase in total land size. Politically, however, merely stating the possibility of different boundary lines has explosive implications. No U.S. administration could now support the idea, in view of the strong reactions it would produce in every Arab country, including Egypt, and in Israel.

## **B. ISRAEL AND THE PALESTINIANS**

Direct negotiations between Israel and the Palestinians, in order to work out their own compromise on territory, would take better account of contemporary realities. Any compromise they managed to reach would then be presented to the rest of the world—including the Arab states—as a joint Israeli-Palestinian position. There are two stumbling blocks, however.

First is Palestinian insistence that Israel and the United States acknowledge the principle of self-determination, on the presumption that this is a precursor to establishing an independent Palestinian state.

The second is "which Palestinians?" Which of them would negotiate with Israel, and would they have enough credibility within their own community to be effective interlocutors? This question raises the fundamental issue of Palestinian leadership.

That issue, along with the need to forge an Israeli political consensus, is the most important and polemical item on the current agenda. The qualities that have enabled Yassir Arafat to survive as chairman of the PLO also constrain any ambition he might have to make decisions needed to reach an agreement with Israel. Arafat has tried to maintain the unity of the PLO by compromise; compromise means accepting the lowest common denominator on fundamental and controversial issues—most important, what kind of agreement, if any, to reach with Israel. Thus while the unification of the PLO achieved at the April 1987 meeting of the Palestinian National Congress in Algiers can be regarded as a victory for Arafat and the Soviet Union, a more united PLO does not necessarily mean a more flexible PLO. It could be just the reverse.

Until a powerful Palestinian leader is prepared to adopt policies that will prob-

ably split the Palestinian movement as it is currently configured, it is doubtful that there will be a Palestinian position that counts. A strong leader of a truncated Palestinian movement, who was prepared to speak, explicitly and directly, about the need for joint recognition with Israel, plus secure, recognized, and permanent boundaries, might be able to fulfill promises. Even then, the implied point—a form of Palestinian statehood, whether on its own or in association with Jordan—would need to be negotiated directly with Israel. The outcome would be far from certain.

It is not clear that the PLO could reach such a position, that there can be developed a valid, alternative Palestinian leadership, either on the West Bank or abroad, or that either outcome could survive pressures from Syria and the Soviet Union if they were not satisfied with their own roles. In the absence of any serious alternatives, the PLO retains the allegiance of most Palestinians, yet Israel will not deal with the PLO with its current stance. The dilemma persists and has been highlighted by the recent disturbances on the West Bank and in Gaza.

### *C. THE SOVIET UNION, SYRIA, AND THE INTERNATIONAL CONFERENCE*

Up to a point, the Camp David Accords and efforts to exclude the Soviet Union and Syria from the Arab-Israeli peace process have been successful. Many Americans, but few West Europeans, continue to believe that a bilateral, step-by-step approach is still possible. They believe that efforts should continue to keep the Soviet Union and Syria out of the next round of negotiations.

According to this view, both Damascus and Moscow are likely to continue opposing major change, certainly if they do not have roles to play that they find commensurate with their interests and ambitions. By the same token, if Syria and the Soviet Union were to take part in deliberations on Arab-Israeli peacemaking, reaching agreement on a practical settlement could be even more difficult than now.

By this reasoning, the Soviet Union continues to have much to lose by agreeing to a binding and workable Arab-Israeli settlement. Peace between Israel and its neighbors would be to the West's advantage, a fact that the Soviets well understand. Thus they will continue to play a spoiler's role, even though they may go through the motions of supporting peace. And it may be impossible to gain Soviet acquiescence to an Arab-Israeli peace settlement if the matter is addressed solely in the context of Middle East politics. It is conceivable, however, that the Soviets would be willing to compromise on the peace process if it were part of broader East-West negotiations and were a price they must pay for closer economic ties with the West and perhaps the resolution of the Afghan-istan war.

This viewpoint is subject to intense debate, however. Some observers argue that, so long as Syria, the Soviet Union, and the PLO are allied in blocking further bilateral agreements, bilateralism cannot succeed. If that is so, a way must be found to deal the Soviets and the Syrians, if not into the game, then at least into a corner where their capacity for mischief can be limited. Regarding Syria, this would most likely occur if there were a change of leadership and a return to the instability and impotence that country experienced in the 1950s and 1960s. According to this view, it is conceivable, but not practical, that mischief-making could be contained by convening an international conference to include Syria and the Soviet Union, such as the one that met briefly in Geneva in 1973, and then devolving responsibility for peacemaking on sub-bodies that would exclude Damascus and Moscow.

A third viewpoint, however, focuses on developments within the Soviet Union under Gorbachev's leadership. Because of changes he is bringing about in Soviet society and government, the United States and its allies need to be attentive to possible changes in Soviet foreign policy, as well. In this case, that concerns not just Soviet tactics toward the Arab-Israeli conflict, but possibly also a more basic shift in the classic Soviet "no war-no peace" stance. According to this view, the Soviet Union may now be willing to play a more constructive role in Arab-Israeli peacemaking. This would be part of a broader strategy of seeking a "breathing space" for domestic economic development, while demonstrating that the Soviet Union must be reckoned with on issues of great moment in global politics.

These different viewpoints on Soviet motives illustrate why the debate about the wisdom of holding an international conference to resolve the Arab-Israeli conflict is so important. The idea for an international conference as an umbrella was first supported by Jordan. The peace treaty between Israel and Egypt was based on the simple formula, "total withdrawal for total peace". As a result, Israel vacated all the Egyptian territory it had occupied during the 1967 war, and Egypt accepted peace and established diplomatic relations with Israel.

King Hussein has argued that, if he could get the same deal from Israel—i.e., total withdrawal from the West Bank including East Jerusalem—he, too, would be prepared to sign a peace treaty. But no Israeli government would ever agree to return all the territory occupied in 1967, let alone East Jerusalem. Hussein, however, argues that he can hardly be expected to accept less from Israel than Sadat did, especially since he would be relinquishing claims to territory that is regarded by many Arabs to be Palestinian rather than Jordanian. Hussein has therefore been looking for Arab partners prepared to support an Israeli-Jordanian agreement that would inevitably have to include some compromise on territory and the status of East Jerusalem.

Hussein's efforts to persuade Arafat to underwrite a joint Jordanian-Palestinian negotiating team were seen as necessary to persuade some of the other Arab countries, notably Egypt and Saudi Arabia, that a Palestinian-Jordanian consensus was emerging and that getting less from the Israelis than Sadat did might be legitimate.

During 1985-86, Arafat and Hussein were unable to reach an agreement, and this method of obtaining an umbrella failed. One reason had to do with the terms under which Hussein would be permitted to negotiate for the Palestinians. If he would head a joint Palestinian-Jordanian delegation, who would be members of the Palestinian team? Would they be fully-fledged PLO officers? Would they be non-PLO Palestinians who were acceptable to Israel and the United States? Or would they be Palestinians with known PLO affiliations but no high rank within the PLO hierarchy and no known connection with terrorism? These questions were then, and continue to be, a matter of great importance to both the PLO and to Israel, which has its own internal debates on which Palestinians could be involved in a conference.

By mid-1987, it became clear that Arafat was either unable or unwilling to use his new-found PLO unity to seek further compromises with King Hussein concerning the membership of a joint Palestinian-Jordanian delegation to negotiate with Israel under the umbrella of an international conference.

Part of the problem now is that, so long as the Soviet role and intentions at such a conference remain obscure, there is little point in speculating what the PLO might do. It has to be assumed that, if the Soviet Union did want to play a constructive role, it would insist on being fully involved in all decisions. Moscow would then have to put pressure on the PLO and Syria not to

wreck the conference and thereby undermine whatever good will it had created by playing a key role.

Arafat's dilemma is that, were he to compromise on the representation issue and thereby delegate the PLO's future to Jordan and the Soviet Union, he would put himself in a highly vulnerable position within his own hierarchy if the conference came to naught. In short, Arafat must have assurances that the conference would succeed—i.e., that the Palestinians would emerge much better off. Such assurances could only be provided through back-room brokering before the conference convened. To this extent, Arafat shares the suspicions of Israeli Prime Minister Yitzhak Shamir that, once a conference began, there would be overwhelming pressure from all sides to get the two key parties, Israel and the Palestinians, to compromise.

The logic of talk about a peace conference is that, at some point and under some guise, the Palestinians and the Israelis will have to negotiate with each other. Whether this were done directly or indirectly, with or without a Jordanian or international co-sponsor, is part of the debate. Until recently, it was assumed that the crisis in Israeli politics over this question was leading only to stalemate. At the time of writing, it appears that unofficial meetings have taken place between members of Shamir's entourage and leading Palestinians with PLO affiliations, in order to discuss a plan that would be a variant of the Camp David approach.

Press reports suggest that that plan would provide for incorporating some sovereign Palestinian entity within the West Bank and Gaza, with its administrative capital in East Jerusalem. Presumably, it would include an arrangement with Israel to deal with outstanding issues, such as control of natural resources, the right of Jews to live on the West Bank, and security.

Likud-Palestinian contacts cannot be lightly dismissed. There have been reports that, within the Likud leadership, opinion is divided on the problem of the West Bank Palestinians, especially because of demographic trends that point to a much larger Palestinian population by the end of the century. Few Israelis favor formal annexation of the occupied territories if this would mean giving equal rights to the Palestinians. By contrast, moderates within Likud know that any form of self government or autonomy must be sufficiently credible, so that Palestinians on the West Bank will not only endorse the idea but also take part in making it work.

To be credible to outside observers, especially in the Arab world, any arrangement for the West Bank and Gaza must have tacit if not explicit endorsement from the PLO, Jordan, and the Soviet Union. Whether or not this could be achieved in the absence of an arrangement that would ultimately lead to the establishment of a Palestinian state is a matter for conjecture.

Much will depend upon definitions of a Palestinian state. If that term is taken to mean a fully independent state with recognized international borders, a government, security forces, and armed forces, then it is difficult to imagine that either Israel, Jordan, or Syria would agree to such an entity. If, however, the proposed entity were to be called a state with all the trappings of independence except those relating to security, some compromise might be possible. Of course, some observers, including the U.S. government, would find most appealing the concept of a Palestinian-Jordanian condominium on the West Bank and in Gaza, as was outlined in the Reagan Plan of September 1982. Under this concept, Jordan would manage external security, in coordination with Israel and subject to their prior agreement.

What could the Soviet Union do to demonstrate its good faith concerning a settlement? This question can be viewed in two parts. First, what would it



have to do before a conference in order to be judged as an acceptable partner? Second, what would it have to accept in order to permit a binding agreement?

Before a conference, at the very least the Soviet Union would have to resume diplomatic relations with Israel and cooperate with the United States, Egypt, Israel, and Jordan on developing a formula for Palestinian representation that would be acceptable to all parties, including Syria. Israel would also require a significant increase in the emigration of Soviet Jews, a step that would not be easy for the Soviet Union in view of its overall policy on the emigration of Soviet nationals.

After a conference began, the most important test for the Soviet Union would be its willingness to negotiate realistically over the future of the occupied territories, as opposed to acting as spokesman for the most hard-line Arab positions. It is difficult to judge the Soviets' seriousness on the terms of a settlement, because they have said little in official or unofficial deliberations with American officials and experts about compromises they would entertain.

Syria is likely to be more obdurate. Virtually all observers agree that it will not play a constructive role unless it gains a suitable agreement on the disposition of the Golan Heights, acknowledgement of its predominant role in Lebanon, and recognition throughout the Arab world and by the United States of its importance. The aftermath of the Lebanon War has confirmed this judgment, as well as Syria's importance in efforts to secure a final settlement.

It is not possible to predict what any regime in Damascus would do if it were presented with the clear-cut option of peace versus the status quo—i.e., if an Israeli government were prepared to compromise on the Golan Heights and southern Lebanon. It is therefore difficult to construct policy options about Syria that offer optimism.

If U.S. policy were directed toward systematically excluding the Soviet Union and Syria from a role in an Arab-Israeli settlement, there would be increasing disagreement between the United States and its West European allies. Regarding the Soviet Union, such a disagreement does not now exist because of U.S. support for a joint superpower role in sponsoring an international peace conference.

The issue of Syria's involvement has become even more complex because of its role in terrorism, especially in terrorist acts in Europe. It is likely, however, that virtually all West European governments will continue to argue that Syria has legitimate interests in the region that must be accommodated in order for there to be peace.

In theory, the Soviets have considerable leverage over Syria because of its need for arms and the precarious state of its economy. However, Hafez al-Assad has been careful to keep Syria from becoming totally dependent on the Soviet Union, should relations deteriorate. Because of its history and geography, Syria will continue to play a key role in Middle East strategy and politics. It is possible that Syria could not only survive a rupture with the Soviets but also win support and allies. Both Saudi Arabia and Jordan have an interest in seeing Syria rejoin the Arab mainstream. Attempts by the West to isolate Syria or efforts by the Soviet Union to dictate terms could have some short-run effect but, over time, such policies would likely backfire as they always have done in the past.

It is also important to consider an option in which there is neither war nor peace, where security and stability in the Arab-Israeli conflict continue to be based upon the maintenance of a balance of military power that has the effect of deterring full-scale war. This has been the prevailing strategy of all parties to the conflict, plus outside states with interests in the region. It may be expe-

dient, but it is not durable. Military, social, economic, and ideological developments in the region argue that forces of violence and passion will, at some point, be unleashed if there is no peaceful resolution of key disputes. Because a war could have serious implications for the United States, Western Europe, and Japan—as well as tragic consequences for peoples in the region—“do nothing” is a most dangerous option.

## **IX. U.S. Policy Problems and Options: The Persian Gulf**

### **A. *THE IRAN-IRAQ WAR AND THE FUTURE OF THE GULF***

For the past several years, it has been virtually a truism that the United States has a limited capacity directly to affect the course and outcome of the Iran-Iraq war. Indeed, it long appeared that a U.S. effort to become more actively involved might make matters worse because of antagonisms between Washington and Teheran, plus doubts in the region and at home about the character and conduct of U.S. policy. Furthermore, while from the standpoint of protecting U.S. and Western interests it would be desirable to gain an end to the Iran-Iraq war, these interests demand only that neither side prevail, that oil continue to flow, and that the Soviet Union not replace the United States as preeminent outside power in the region.

Following the reflagging of Kuwaiti tankers in 1987, however, the United States committed itself to major efforts to try bringing about a cease-fire in the eight-year-old conflict, plus negotiations between Iran and Iraq. While not originally designed to try securing this goal, the augmented U.S. naval presence in the Persian Gulf rapidly became seen as an effort to pressure Iran to accept a cease-fire and go to the bargaining table.

The United States also took the lead in gaining passage of United Nations Security Council Resolution 598, calling upon both parties to end their conflict. Because Iraq has sought this goal for several years—its effort to defeat Iran having failed—the resolution was directed at Teheran. For its part, in the autumn of 1987 Iran moderated its position. It no longer required that Iraq's President, Saddam Hussein, be deposed and that Arab states pay massive reparations. Rather, it insisted that the international community assess responsibility for the war—Iraq clearly invaded Iran in September 1980—and punish the aggressor: the meaning of this second requirement was left ambiguous. Iran also offered to accept an informal cease-fire while this adjudication was being made. Iraq rejected this approach.

Subsequently, the United States took the lead in trying to gain passage at the United Nations of a resolution providing for an arms embargo and sanctions against either party not accepting a cease-fire—in effect, Iran. At the time of writing, the Soviet Union has sought more time for diplomacy by the U.N. Secretary General and has proposed a U.N. blockade of Iranian ports that would be both unworkable and to Soviet advantage in gaining leverage in Teheran. Moscow's objective seems clear: to try maintaining good relations with both Iraq and Iran, and to put the onus for pressuring Iran on the United States. In this way, the Soviet Union has been positioning itself to take further advantage in Iran of mistakes in U.S. policy. For its part, China has also resisted a U.N. sanctions resolution, fearing the growth of Soviet influence in Iran.

Given the timetable for preparing any report such as this, there is risk that tactical recommendations will be overtaken by events. However, these recommendations will be presented below. In the broader context, practical choices

for the United States lie in techniques to limit the spread of the war. These divide in two broad directions, and choosing between them will depend in significant part on the tactical situation at any point:

- The United States could sustain its tilt toward Iraq and continue its efforts to reduce economic and military support for Iran from any source. This could include providing intelligence information to Iraq, encouraging military sales, and supporting—tacitly or explicitly—efforts in the region to squeeze Iran economically, as was one intention of the pre-August 1986 Saudi strategy of reducing oil prices. The United States, both directly and through other Western states, could provide military support for the Gulf Cooperation Council (GCC) and pursue contingency planning and discussions with regional Arab states. If required, the United States could provide air support for threatened governments.

- Alternatively, the United States could pursue a more even-handed approach. It could prepare to bolster the position of regional states in the event of an Iranian military breakthrough against Iraq. At the same time, however, the United States could encourage other Western states to develop significant involvements in Iran, abandon efforts to pressure Iran to the bargaining table through either economic means or a cut-off of military supplies, and keep uppermost in its calculations the strategic primacy of Iran in the region.

Some combination of these two approaches is possible, within limits imposed by the course of the conflict and the political objectives of both sides.

A third option—supporting an Iraqi effort to achieve victory—would almost surely benefit the Soviet Union and, because of Iran's intrinsic strategic importance, would severely damage Western interests.

A fourth option would be to distinguish between the U.S. interest in Iraq's defense and the survival of the regime of Iraqi President Saddam Hussein. The latter's departure would not spell disaster for the West.

Choice of options must also look beyond immediate concerns with the Iran-Iraq war to future questions about regional stability. The United States has a major interest in trying to reconcile its tactical steps, especially those designed to forestall Iraqi collapse and to bring about a cease-fire, with the needs of Western interests during turmoil or a succession crisis in Iran. This process relates in particular to the broad choice between trying to isolate Iran or encouraging other Western powers to become more deeply engaged with it. The process also relates to the stance the United States takes toward different contenders for power in Iran. Caution is in order, as well as healthy skepticism about the claims of rival groups, many of which are vying for U.S. support but which may not share U.S. interests. Indeed, it is doubtful that the United States or any other Western power could play more than a marginal role—if at all—in influencing the succession in Iran. Yet there is merit in trying to establish links in Iran that could prove useful.

## **B. THE SOVIET UNION AND AFGHANISTAN**

U.S. choices divide essentially along the following lines, though a mixture may be possible:

- The United States could continue to provide support to the Mujahedin in Afghanistan, in order to help sustain the insurgency and to exact the highest toll possible on Soviet forces. It could exploit the Soviet position politically elsewhere in the world and provide increased quantities of economic and military aid to Pakistan—placing Afghanistan ahead of U.S. non-proliferation policy in relations with Islamabad. This last point has special significance because of Soviet refusal in 1987 to pressure India to accept the Non-Proliferation Treaty, Pakistan's condition for doing likewise. Moscow's diplomacy has been related

to efforts to seal the Pakistan-Afghanistan border, just as its diplomacy with Iran has been designed in part to seek an end to Iranian support for the Afghan Mujahedin. Depending on the value and success of U.S. efforts to put increased pressure on the Soviets in Afghanistan, the United States could also link Soviet actions to progress on resolving other areas of East-West relations such as trade and commerce.

- Alternatively, the United States could continue offering to support the Soviet Union in a search for means of withdrawing from Afghanistan, including joint or international pledges and guarantees of its neutrality. Most difficult, if not impossible, would be assuring the Soviet Union of the nature of the Afghan government. This issue has implications for the Brezhnev Doctrine—which promises Soviet intervention to preserve threatened Communist regimes—especially because of the precedent that could be set for Eastern Europe.

As argued earlier, America's European allies are virtually unanimous in opposing any linkage of Afghanistan to other East-West issues, and they would support withdrawal of Soviet forces on almost any terms. U.S. and West European objectives may thus divide.

### C. REGIONAL SECURITY

Beyond the Iran-Iraq war and its broader ramifications, developments in the Persian Gulf could pose a number of threats to Western interests. These provide several policy choices for the United States.

*First:* the issue of bolstering local military capacities. This relates in particular to the question of arms sales and support for the Gulf Cooperation Council (GCC). Basic choices are the following:

- The United States could continue providing active support for regional security, both through the GCC and bilaterally for internal security forces. This policy would entail placing primacy on regional security and playing down linkages to the Arab-Israeli conflict, especially over arms sales to Saudi Arabia and Jordan, with the latter's assuming a role in Persian Gulf security.

- Alternatively, the United States could embargo arms sales, beyond non-lethal equipment, to countries not prepared to engage seriously in Arab-Israeli peacemaking.\* By placing primacy on factors in the Arab-Israeli conflict, this step would have to recognize that other states, especially Britain, France, and the Soviet Union, would be actively engaged in selling arms where the United States will not.

*Second:* the issue of the relative division of labor between the United States and its West European allies. Choices divide into the following broad categories:

- The United States could retain primacy among Western states for political relations and security in the region, while seeking financial support from its allies, where appropriate, for the Rapid Deployment Joint Task Force. The United States would lead in defining Western interests, assessing threats, and organizing responses. It would continue developing Central Command as a unilateral U.S. effort. It would use NATO institutions or bilateral channels to inform European allies of U.S. activities.

- Alternatively, the United States could press for broader U.S.-West European understandings on the nature and locus of threats and responses, even where this requires compromise. It would seek direct allied involvement in joint planning for contingencies, focusing on Britain and France. It would encourage

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\*George McGhee doubts the feasibility of this alternative, as it is difficult to prove who is or is not engaging seriously in Arab-Israeli peace-making.

other allies to develop their own limited intervention capabilities, following the British and French examples. It would seek financial and other involvements by other allies as part of a division of labor within the Western alliance, although outside its formal institutions. The United States would try to engage other Western states in helping to deal diplomatically with regional problems.

*Third:* the connection between pursuing security relations in the Gulf region and trying to resolve the Arab-Israeli conflict. In general, for domestic political reasons the United States seeks to insulate both events and policies in the two principal areas of the Middle East from one another. For the West European allies, by contrast, the connection is judged to be obvious, inescapable, and a primary motive for seeking a resolution of the Arab-Israeli conflict—most particularly, the Palestinian problem. The United States thus faces a choice whether to see the different parts of the Middle East as interconnected, or to try dealing with individual issues and problems on their own. In terms of managing policy, neither choice is entirely satisfactory.

#### **D. OIL STRATEGY**

Securing the supply of oil at reasonable prices clearly remains a major Western objective. Debate continues about whether the West would best benefit from a) low prices that would provide immediate benefits but risk increased dependence on vulnerable Persian Gulf resources, or b) somewhat higher prices that would stimulate energy alternatives and continue to promote conservation.

The United States and its allies must also consider risks to Persian Gulf security in judging possible governmental action—e.g., one form or another of oil import fee, taxes on oil, support for domestic development of alternative energy sources, support for energy development in third countries, and economic incentives for conservation. So, too, a major option would be to seek negotiations\* between oil-producers and consumers on the long-term stability of oil markets.

These economic issues are germane to U.S. and allied policy toward the Persian Gulf. Price and supply terms will have an impact on conditions within the area, especially boom-and-bust cycles that increase risks of instability and promote internal unrest. Indeed, current low prices have created a host of associated problems from unemployment, cuts in workers' remittances to other regional states, repatriation of foreign workers, disaffected youth, and pressures for mass political participation that are resisted by entrenched elites.

### **X. Summary, Conclusions, and Recommendations**

The United States has long shouldered primary responsibility for protecting and advancing Western interests in the Middle East, even when others have had more at stake. For the past twenty years, America has been most engaged in diplomacy relating to the Arab-Israeli conflict. Since the British withdrawal from the Persian Gulf in 1971, it has been confirmed as the predominant Western power in that region. And it has taken the Western lead in ensuring the flow of oil and in containing the advance of Soviet influence and presence in the Middle East.

During this period, the record of U.S. policy has been mixed. It has had significant successes, such as capitalizing on the expulsion of the Soviet Union from

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\*George McGhee believes that there is no way a negotiation between producers and consumers could be arranged: "This is contrary to our free enterprise market system and illegal under U.S. anti-trust laws."

Egypt and brokering the Egyptian-Israeli peace treaty. But it has also had failures, notably in Iran and the tragic experience with Lebanon. Partly because of these failures, in recent years overall U.S. influence in the Middle East has been diminishing, in the eyes of virtually all parties.

The record of cooperation between the United States and its European allies has also been mixed, ranging from none in the case of Camp David to major joint efforts in Lebanon and to some West European support for the United States in the Persian Gulf in 1987. While the interests of different allies have been similar, they have not been identical. In recent years, these differences have led to significant strains within the Western alliance.

In considering its options toward the Middle East, the United States government must weigh two sets of factors: what it would choose to do on behalf of its own regional interests, and what it would choose to do if it gave priority to relations with its West European and Japanese allies. Obviously, there can be no hard-and-fast rule. Compromise will be required, both in U.S. government policy analyses and in diplomacy with the allies.

The United States now faces four sets of decisions: how deeply to be engaged in the Middle East; what to do there; what to expect from its European and Japanese allies; and how to work with them to minimize damage to the broader alliance. The conclusions and recommendations that follow discuss these points, in order to provide policy guidance for the balance of the Reagan administration and the early period of the administration that will take office in January 1989.

### *1. The Case for Deep U.S. Engagement*

At times, frustration with events and experience in the Middle East has lent credence to the view of some observers, conservative and liberal, that the United States should be less engaged diplomatically in the region. This was clearly an unstated premise behind the Reagan administration's Middle East policies up to 1987, and also behind some of the Congressional criticism of the decision to become more deeply involved in Persian Gulf military operations.

A case can be made for the United States' doing less in the Middle East than it did during the active days of the 1970s. In southwest Asia, the Soviet Union appears to have been chastened by its experience in Afghanistan. The oil glut continues, and conservation in oil-consuming states has dramatically weakened the link between economic growth and increased oil consumption. The Iran-Iraq war, once thought to be so threatening to Western interests, has not produced a cataclysm and, in any event, current United States activity in the Gulf could as likely exacerbate and prolong the war as end it.

Meanwhile, the Egyptian-Israeli peace treaty has removed Egypt from the Arab military balance, thus at least appearing to reduce the chances of war and of U.S.-Soviet confrontation. While the U.S. administration is supporting the idea of an international peace conference, it looks to local parties for leadership and initiative. Further major U.S. diplomatic action is not likely during the balance of the Reagan administration.

On terrorism, the record of recent years has challenged the short-term possibilities for decisive action, plus the role and reliability of U.S. leadership. Strong differences of opinion exist between the United States and its West European allies about the causes of Middle East terrorism and the best responses to it. It can be argued, therefore, that for the time being America's interest lies in encouraging its European allies to take the lead.

The study group recognized the appeal of a relatively hands-off U.S. approach

to the Middle East from an intellectual and perhaps emotional standpoint. But we have rejected this course as inconsistent with the long-range interests of the United States, both in the Middle East and in the Western alliance. Our reasoning is largely based on five key points:

- *Interests and Threats.* Oil exports from the region will become increasingly important in the 1990s, as global economic growth combines with failure during the 1980s, especially by the United States, to pursue vigorously the development of alternatives that would significantly decrease dependence on Persian Gulf oil. The Iran-Iraq war continues at high intensity and, if not self-contained, could pose an unmatched threat to global peace. The Soviet Union will continue to be an active presence in the region, all the more so if it can extricate itself from Afghanistan or if the United States makes major mistakes. The Soviet role will be particularly important in regard to Iran's future, in which the United States and the West have a vital interest. Events in the Subcontinent, including the possibility that both India and Pakistan will have nuclear weapons, will also have a significant impact on developments in the Middle East.

Meanwhile, a war between Israel and Syria is possible and would pose a major threat to Western interests. Lebanon is likely to remain unstable and a source of conflict for years. Terrorism and other forms of extremism show no sign of abating. While all members of the study group did not agree on the relative importance of different factors as causing terrorism, all recognized the continuing threat and the need to deal with both causes and effects. Leadership changes in individual countries could occur with profound consequences for Western interests—e.g., Egypt, Jordan, Libya, Syria, Iraq, and Iran. Indeed, the inherent instabilities and volatility of the region guarantee that crises will recur with depressing frequency.

- *Risks of Disengagement.* Dangers to Western interests would in all likelihood increase if the United States sought to disengage or even abdicated its leadership role within the region and in the Western alliance. No other Western power or group of powers can or would substitute for the American role. This is particularly true regarding the Arab-Israeli conflict and containing Soviet power and influence. Instability, strife, and terrorism would by no means be lessened. Furthermore, because of its capacity to project power and its ties to Israel and the Western alliance, the United States is expected by all regional states to play a unique and critical role.

- *The Soviets.* In addition, a passive American role would have to assume that the Soviet Union would follow suit. Most likely, however, it will intensify its diplomatic effort to be fully engaged in the Middle East and, in many circumstances, it will pursue its own agenda and the goal of lessening Western presence and influence. This does not mean that the Soviet Union would automatically fill any vacuum created by the departure of the United States. It, too, would be inhibited by many of the same factors that the West has found so daunting. But there is still grave risk in ceding primacy of influence to the Soviet Union in a region that is so important to the United States and its allies.

- *Possibilities.* Despite frustrations and the limits imposed on U.S. actions, there is much that the United States can accomplish. Merely by being what it is—the leading superpower, the strongest economy, the magnet for people interested in opportunity and democratic values—the United States can still wield enormous power and influence in the Middle East that no other nation can rival. Nor is it realistic to believe that, faced with a threat to Western interests, the United States could stand aloof. This would be especially true if the Iran-Iraq war burst its bounds or if Israel and Syria went to war.

- *Peacemaking.* The requirement for U.S. action is especially critical with

regard to the Arab-Israeli conflict. Despite efforts by one or more regional parties to end the stasis in peacemaking, there is little basis for believing that anything significant can happen in the absence of a major, sustained American commitment to the peace process, whether the one being canvassed in late 1987 or some other. Such U.S. engagement is no guarantee of success—it never has been. But the opposite is certainly true. U.S. political will, imagination, and commitment may not be sufficient for successful peacemaking, but they are indispensable.

Thus all the arguments presented for America's doing less in fact contribute to the case for its doing more. In short, Western interests remain deeply engaged in the Middle East, and that means a major U.S. role. It also means a sense of urgency. The United States cannot afford to wait and react to events.

## 2. *The Western Alliance and the Middle East*

Effective U.S. policy in the Middle East is necessary for a further reason: preserving the Western alliance. The foregoing analysis has discussed a number of the differences between the United States and most of its European allies and Japan. These are not just differences about interests or the best way of conducting policy toward the Middle East. They also relate to four fundamental challenges that face the Atlantic alliance, more generally: burden-sharing for defense; the conduct of East-West relations; outside-of-area policies, involvements, and the use of force; and economic management and competition.

Well-coordinated policies for the Middle East will not, by themselves, ensure answers to the problems posed by these trends. But discord over the Middle East, especially where there is disagreement about the use of force, will contribute immeasurably to deeper divisions within the alliance. These may even weaken bonds of understanding and commitment in the area most directly germane to the purposes of the Atlantic alliance—European security.

The allies, collectively, should therefore deal with their differences over the Middle East for reasons that extend beyond the region and the conduct of effective policy. Where views diverge, the allies should find ways to bridge gaps and work together. And when it is clearly acting in the common Western interest, the United States has a right to expect more cooperation from its European allies and, to an extent, from Japan. This cooperation should include considerable forbearance for U.S. policy; it should also include a material contribution to the common effort.

The European Community countries have provided some aid to Middle East states, both bilaterally and through the Community. The EC has also pledged financial support for Arab-Israeli peace arrangements, and to help rebuild Lebanon if and when the civil war there ends. Nevertheless, the study group recognized that the European allies and Japan will often be unwilling to provide the degree of practical support for U.S. policies in the Middle East that is sought by Washington, even when there is agreement within the alliance on the course to take. Thus a high degree of caution is needed. In particular, the United States may often have to act largely on its own in support of broader Western interests. The division of labor with Europe has merit, but, with exceptions, it so far has proved to be largely unrealistic. Inevitably, this matter will become part of a larger framework of discussion about the overall allied relationship.

In order to build a basis for allied understanding and cooperation in the Middle East, three requirements stand out. First, whether or not it is pursuing broader allied interests, the United States should, in general, only act unilaterally on Middle East policy if no agreement with allies is possible and events demand



a speedy response. Along with its European allies, where deep conflicts exist between priorities, as between the transatlantic relationship and the Middle East, it should err on the side of "alliance first."<sup>\*</sup>

Second, the United States must press its allies, both for greater material contributions—especially economic—to help preserve Western interests in the Middle East and for cooperation in the use of force, if and when it becomes necessary, to help secure common interests in the region either through furnishing military units of their own or indirectly supporting the use of U.S. forces. If the allies are not seen to be carrying their weight, this fact will contribute to greater popular American disillusionment with the Western alliance as a whole and will reinforce the belief among many U.S. observers that, as the world's largest debtor nation, the United States can no longer afford to be the world's policeman.

Third, it must be understood by all that the various components of Western interests in the Middle East cannot be divided into neat and separate categories. What happens in the zone of the Arab-Israeli conflict will influence alliance policy on the Persian Gulf and vice-versa. Thus the United States must develop a more coherent set of policy objectives for the entire region, stretching from north Africa to southwest Asia. This has become especially important in light of the confusion produced by the covert U.S. sale of arms to Iran and subsequent developments in the region. Such a definition and statement of policy should be sufficiently inclusive to permit a thorough review of the many and often conflicting choices that the United States and its allies face in the region. It should include discussion of the imponderables, as well as the promise, of policy alternatives. It must not reflect the empty rhetoric that has been the hallmark of many official U.S. and European Middle East policy statements.

### 3. *Specific Recommendations*

The following specific suggestions are designed for the Reagan administration and for the new administration that will assume office in January 1989. The study group was not in agreement on all issues, in which cases we present alternative courses of action.

#### A. *U.S.-ALLIED RELATIONS*

The United States should take the following steps:

- intensify regular discussions with its Western European allies and, separately, with Japan, on the relationship between Middle East issues and broader alliance purposes, concerns, and difficulties;
- develop a regular consultative process with European Political Cooperation, with America's European allies that are members of the U.N. Security Council, and with the Western European Union. In general, there will be value in helping to strengthen West European political institutions. For Middle East issues, as with other outside-of-area concerns, the North Atlantic Council is appropriate for discussion and coordination, but not for trying to organize joint action;
- end, to the extent feasible, its unilateralist approach to Middle East issues, and instead commit itself to developing, where possible, joint ideas and ap-

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<sup>\*</sup>For some members of the working group, this statement should apply to all elements of Middle East policy. Other group members believe that the statement should not apply to United States' efforts to promote Arab-Israeli peacemaking or to meet its commitments to Israel's security, where it should attempt to gain the support of the Europeans.

proaches with the Western allies;

- in exchange for closer collaboration with allies on U.S. Middle East policy, establish a diplomatic and political process designed to get the allies to assume a greater share of economic burdens in a regional "division of labor." This should take special cognizance of countries like Turkey and Egypt;

- continue developing joint planning with Britain and France—plus other interested allies, such as Italy and increasingly West Germany—on possible military contingencies within the Middle East region;

- create a special consultative mechanism, on both a bilateral and multilateral basis (with European Political Cooperation) for working with allies on Arab-Israeli peacemaking proposals; and

- pay special attention to the role of Turkey, especially regarding military and economic assistance.

## **B. THE ARAB-ISRAELI CONFLICT AND LEBANON**

The study group was unanimous in urging a major commitment of U.S. time, resources, and attention to Middle East peacemaking. Opinion divided, however, on some key points, as noted in individual commentaries appended to this report.

Most members of the study group agreed on the following recommendations, keyed to the process of trying to resolve the Arab-Israeli conflict rather than to detailed outlines of the product. There was consensus that there cannot and should not be an imposed solution, but rather that the specific terms of peace can only be developed by the parties themselves. Bearing that in mind, the United States should take the following steps:

- firmly commit itself, in word and deed, to an active, sustained leadership role in Arab-Israeli peacemaking, deriving from Resolution 242 and the Camp David Accords, even if practical results cannot be expected in the immediate future.

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### **OPTION 1\***

- support an international peace conference that would include a role for Syria and the Soviet Union, once sufficient progress is made on modalities of a conference and resumption of Soviet-Israeli diplomatic relations has occurred;

- if an international conference cannot be convened, work closely with the Israeli and Jordanian governments on an approach to peace, based on the medium-term objective of Israeli-Jordanian-Palestinian dialogue over the management and control of territories occupied in 1967;

- work with its European allies toward a common position on dealing with the Palestinians and on the issue of who represents them.

### **OPTION 2\***

- as part of resuming leadership in peacemaking, work closely with the Israeli and Jordanian governments (in particular) on an approach to peace that builds on the Camp David Accords, in order to develop an Israeli-Jordanian-Palestinian dialogue;

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\*A majority of working group members subscribe to Option 1. However, a significant minority of members prefer Option 2.

- be prepared to augment that process, if need be, with an international peace conference, provided it has the support of Israel and Jordan and there is clear evidence, subject to test, that the Soviet Union is prepared to play a constructive role in working for a peaceful settlement;

- work with its European allies toward a common position on dealing with the Palestinians and on the issue of who represents them. However, the United States should continue to honor its commitments to Israel on dealing with the PLO;

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- support Jordanian efforts to develop a greater economic presence in the West Bank and, with the West Europeans, work on progress toward resolution of the refugee problem;

- work with Israel to ensure the civil rights of Palestinian residents in the West Bank and Gaza;

- acknowledge the fact that the future of Lebanon is inextricably linked to the resolution of terrorism and the larger Arab-Israeli problem. Lebanon should also be part of any international conference;

- continue to support UNIFIL's presence and mandated role in southern Lebanon, while encouraging development of a viable indigenous alternative; and

- engage the allies in efforts to help Lebanon, economically, when that is possible in terms of Lebanese internal developments.

### C. TERRORISM

To be effective, a strategy against terrorism must have several components. The United States should:

- continue working with allied states on physical protection, intelligence-cooperation, and security in vulnerable areas like air travel;

- encourage, wherever possible, the allies to take the lead in opposing and countering Middle East terrorism;

- continue to develop the infrastructure, forces, and techniques needed for counter-terrorist actions;

- seek to place terrorism in perspective, in order to diminish its influence, while reducing the level of rhetoric about potential retaliation; and

- explore possibilities for promoting Arab-Israeli peacemaking, even when possibilities do not look promising, with the understanding that this can contribute, in the long-term, to lessening the problem of terrorism.

### D. THE IRAN-IRAQ WAR

In its own interests and that of its West European and Japanese allies, the United States should pursue a short-term approach to the Iran-Iraq war that consists of the following elements. The United States should:

- reassure Iraq that the United States has a strong interest in preventing its defeat by Iran;

- seek a moratorium, both directly and through countries like Saudi Arabia, on Iraqi attacks against Iranian shipping in the Gulf;

- test Iranian intentions regarding a cease-fire and negotiations, through carefully-coordinated U.N. diplomacy; and

- if that proves fruitful, reduce the U.S. naval presence in the Persian Gulf to approximately pre-reflagging levels. The United States should, however, continue to bear key responsibility for long-term security in the Persian Gulf, and

## APPENDIX

### ADDITIONAL COMMENTS AND DISSENTS

**Supplementary Comments** by *Willis C. Armstrong, Lucius D. Battle, Joseph I. Coffey, Lincoln Gordon, Parker T. Hart, George C. McGhee, James Noyes, Richard B. Parker, John M. Roberts, Philip Stoddard, Merle Thorpe Jr., Joseph W. Twinam, and John C. West*

We wish to emphasize a number of points made in the report and, at the same time, to augment the report's recommendations regarding U.S. policy and the peace process.

We reaffirm the report's recommendation that negotiations for a comprehensive settlement to the Arab-Israeli-Palestinian conflict become a high priority for U.S. policy. In addition, we wish to commend the report for its striking recognition that negotiations to reach a settlement must include all parties to the conflict and that the Palestinians clearly acknowledge the PLO as their representative. A strong U.S. role in the region is necessary to defend western oil interests, place the U.S. in a strong leadership position and assure U.S. strategic interests.

#### *International Peace Conference*

We strongly support "an international peace conference that would include a role for Syria and the Soviet Union, once sufficient progress is made on modalities of a conference and resumption of Soviet-Israeli diplomatic relations has occurred." Previous efforts to convene bilateral negotiations have produced a treaty between Israel and Egypt but have failed to resolve the core conflict between Israel and the Palestinians, Syrians, and Jordanians. What is necessary is to convene a negotiation in which the parties to the conflict have a stake in the outcome. Engaging the governments of Syria and the Soviet Union in the negotiations makes them less likely to play the spoiler role, particularly since both are on record as supporting an international conference. Failing to engage them will undoubtedly result in their pressuring Arab parties to the conflict to resist any bilateral process. A negative dynamic such as this will inevitably prolong conflict and may result in war between Israel and Syria, a situation that could bring the United States and the Soviet Union dangerously into conflict. Moreover, Syria, given its long history of involvement with the Lebanese problem, is a necessary factor in any lasting peace settlement. To reject a role for Syria would prejudice any meaningful solution.

An international conference should convene with all parties to the conflict present—United States, USSR, Syria, Jordan, Egypt, Lebanon, the PLO and Israel—and break into working groups, whereby the parties most directly involved in and affected by an aspect of the conflict would negotiate the resolution of that aspect. In other words, bilateral or trilateral negotiations are possible during the course of an international conference. For example, Israel and Syria could negotiate a resolution to the dispute over the Golan Heights which would satisfy both countries' security requirements. Israel, Jordan, and the PLO could negotiate a resolution to their dispute which would meet Israel's security needs and allow the Palestinians to express their self-determination in the West Bank and Gaza Strip.

### *U.N. Security Council Resolution 242*

The report acknowledges that for twenty years the U.N. Security Council Resolution's 242 concept of "territory for peace" has been the prevailing formula for a settlement of the Arab-Israeli conflict. However, citing Israeli West Bank settlement activity in the intervening years, the report states: "Today . . . it is harder to envisage a peace settlement" based on U.N. Resolution 242. Though the report states "there is still considerable support for Resolution 242," the effect of the statement is to suggest that support for the resolution is waning. On the other hand, the report also states that "at least in terms of maintaining a capacity for developing alternative approaches to peace, continued adherence to Resolution 242 is important," and it later speaks of the need for an active U.S. leadership role in Arab-Israeli peacemaking, "deriving from Resolution 242 and the Camp David Accords."

This ambivalence respecting U.N. Resolution 242 is not wise. It encourages supporters of a Greater Israel to believe that relinquishment of territory can be avoided in a final settlement. U.N. Resolution 242 sets principles for a settlement; it is understood that the parties themselves must negotiate satisfactory borders.

Successive U.S. administrations have viewed Israeli settlements on the West Bank as either illegal or as an obstacle to peace. For a private group, as close to policymakers as this group, to imply that U.N. Resolution 242 might no longer be operational reinforces the widely held international view that the U.S. cannot be an even-handed interlocutor for peace.

### *Role of the PLO*

Finally, it is our view that the U.S. government should undertake discussions with the PLO with the goal of (1) getting the PLO to articulate its willingness to negotiate with Israel on the basis of the latter's legitimate security requirements and (2) assuring the PLO that its agenda items will get a fair hearing during the negotiation process.

The United States, even in various conflicts in which it was directly engaged, has made an effort to maintain some sort of contact with its adversaries, most notably in the case of Vietnam. Talking to an adversary is not a new departure in terms of American policy and practice.

The authors of the report correctly point out that the United States (in 1975) agreed not to negotiate with the PLO until the PLO recognized Israel and accepted U.N. Resolutions 242 and 338. However, the Kissinger agreement of 1975 said nothing about talking to the PLO (and the United States expressly rejected an Israeli request that such a condition also be included). In talking to the PLO, the PLO could be prodded to present a negotiating position based on its acceptance of Israel in the region, an important point long sought by the Israelis. If the PLO were not responsive, Palestinians would probably see their leadership as rejecting the opportunity to participate in the political process, and alternative Palestinian interlocutors might well emerge. Discussions with the PLO can only move the process forward. The present policy of the United States and Israel of seeking an alternative leadership for the Palestinians rather than dealing directly with the PLO has failed. It dooms Israelis and Palestinians alike to live in protracted conflict.

We share the views of General Yehoshafat Harkabi, former head of Israeli Military Intelligence:

There are Israelis who emphatically and proudly declare that they are doves, that they are against settlement and annexation, yet assert that the PLO is

## Appendix: Additional Comments and Dissents

not acceptable as a partner for negotiations. Thus willy-nilly they support maintaining the status quo indefinitely, which only facilitates the process of de facto annexation. What purpose does their alleged dovishness serve? They are self-contented doves who are in effect de facto hawks. Other Israelis draw up a list of what the PLO has to do in order to legitimize itself as a partner for negotiations. The hurdle is thus raised so high that it can never be jumped over. On the contrary, we should make it easy for our adversaries to overcome their inhibitions and forebodings and start negotiating. Any such negotiations will be a very difficult and tormenting process, and we should not make it even more excruciating for both us and them.\*

### *Comment by Rajai M. Abu-Khadra*

The rapporteurs have done an excellent job in capturing the various opinions of a highly diverse group and should be commended for their hard work and dedication.

The discussion on terrorism is given space way out of proportion and far beyond its importance as a Middle East issue. On the other hand, the more significant Islamic fundamentalist movement, which is destined to play a major role in shaping the future of the Middle East and is certainly a factor to be reckoned with, is discussed in a rather desultory and uninspiring manner.

While I do appreciate that one or other of the options in Section X.3.B. might present a plausible and acceptable framework to many of the members of the Middle East Study Group as broad formats to resolving the Palestinian problem, nonetheless, I am tabling a dissenting opinion for two primary considerations:

- Neither option goes far enough to meet the minimal national rights of the Palestinians for self-determination and a national homeland; and
- From this perspective, therefore, the contribution of the options to sustained future peace and stability in the Middle East remain questionable at best.

### *Comment by Willis C. Armstrong*

In general, I support the approach of the policy paper, which is comprehensive and thoughtful. It does far more than paper over cracks, and the rapporteurs deserve credit for a valiant effort. The United States cannot turn its back on the Middle East; it bears too much responsibility for the situation. American actions in the matter of Gulf navigation have been appreciated by Arabs, who recently demonstrated an unusual degree of unity regarding the Iranian threat. Our Gulf policy is risky but necessary; it does give tactical advantage to the USSR, which is risking nothing while playing off all parties against each other. The Iran-Iraq war and the Gulf navigation question have pushed the Arab-Israeli dispute somewhat into the background, and the United States may have gained a bit more credibility with the Arabs, which might carry over into the so-called peace process between Israel and the Arabs.

As between Options 1 & 2 there is not much choice, but Option 2 is objectionable because it contains support for the United States commitment to Israel regarding the PLO. Maintaining such a commitment is unreasonable and a major obstacle to peace. The Palestinians are an aggrieved people with a strong sense of having been dealt with brutally and unjustly, and they see the United States as a major cause of such treatment. American subservience to Israel is unwise,

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\*Yehoshafat Harkabi, *The Fateful Choices before Israel*, (Essays on Strategy and Diplomacy, The Keck Center for International Strategic Studies, Claremont McKenna College, 1987), p. 15.

counterproductive, and injurious to our national interests. Because it is implicit in our domestic politics, however, there is almost no chance that the United States can play the kind of broad-gauged role in the Middle East which the situation desperately demands.

*Dissent by Mark Bruzonsky*

The smorgasbord of outlooks offered in this report could have been achieved in a few weeks by numerous scholars and journalists familiar with U.S. foreign policy and Middle East affairs. The years, money, and opportunity cost incurred by both The Atlantic Council and The Middle East Institute are difficult to justify, in my view, for a report which basically does little but regurgitate contemporary platitudes and outlines well-worn, well-known, and in most cases well-accepted policy alternatives.

As for the policy recommendations, they are on the whole rather superficial and usually but marginal adjustments to current policies. There is indeed a rapid and continuing decline in U.S. and Western "interests" in the Middle East; but among the basic reasons are the policies we have ourselves pursued and how we have defined our interests. Few ideas contained in this report chart a new course. Instead what is offered are but zigs and zags to the dangerous and inconsistent approach the U.S. has pursued for some time.

In short, the kind of thinking represented in this report will not significantly alter this decline or tackle the underlying instabilities that pose renewed danger of war and internal revolution. Furthermore, American responsibility and complicity in the creation of today's conditions will have to be far more honestly admitted and scrutinized before the kinds of new thinking and new policies that are urgently required can even be contemplated in the American political arena. Of course such a transformation is more likely to be stimulated by shocking developments than by such appeals to much more fully reassessed past and present policies.

A truly worthwhile private sector report should have attempted to break through the stereotypes and shallowness characterized by this report. Instead, through both the choice of rapporteurs and panel members, this report was doomed from its origins to be little more than another uninspiring addition to the litany that passes for policy review in contemporary Washington. Primarily written by two former staff members of the National Security Council with a vested self-interest in justifying past policies and seeking new positions in the incoming Administration, this report's inadequacies far outweigh its contributions.

There is not space in this restricted dissenting comment to deal specifically with the many failings of the report. Rather, the best that I feel I can do is simply to outline what some basic alternative policies would entail:

- 1) A basic shift away from the extremely one-sided American involvement with Israel—a country of less than 4 million people in a region of many important countries comprising more than 100 million persons. This will require honest admission that American domestic politics is often manipulated by the unbalanced influence of the Jewish lobby which constantly twists American policies and outlooks in ways desired by Israel and continually restricts debate and discussion about matters sensitive to Israel.

- 2) The need to rethink and redesign basic American policy—worldwide as well as in the Middle East—to be truly supportive of real democratic processes. Most of the Arab countries have yet to evolve politically beyond dictatorial, dynastic, or military rule. The U.S. should be true to its own heritage and sup-

portive of real democratic reforms if we expect to avoid revolutionary and often anti-American developments.

3) An urgent need to promote a comprehensive Arab-Israeli peace which must include American willingness to accept reasonable Soviet interests in the region, American diplomatic recognition of the PLO in return for Palestinian agreement to participate in direct negotiations with Israel, and acceptance of Syrian concerns for both security and territorial return. American economic and political leverage on Israel to negotiate such a peace is imperative; for our extensive aid without such leverage promotes the opposite. At this late date strong advocacy, some would term it the imposition, of an overall Arab-Israeli settlement may indeed be the only way to abort the slide toward another conflict—a war which would be far more destructive than any of the previous ones—and a build-up of justifiable resentment toward the U.S. throughout the region.

4) Acceptance of the legitimacy and importance of the Iranian Islamic Revolution, including an urgent reconciliation with Iran and an immediate termination of our military and intelligence involvement on behalf of Iraq.

Much more needs to be added, indeed an alternative report is required and an A/B Team approach was originally suggested but rejected. Some other group or institution should pick up this vital and urgent challenge.

*Comment by Joseph I. Coffey*

Although there is reason to be concerned lest the U.S.S.R. exercise its influence in the Middle East to “spoil” the chances for peace, a policy which places upon the Soviet Union responsibility for exercising that influence to insure outcomes that the United States desires both overestimates Soviet influence and understates the divergences between the positions of American “clients” and those of the Soviet Union. Moreover, to ask so much while denying the Soviet Union any security role in the Persian Gulf is to penalize the Soviet Union for being constructive—an outcome it may deem unacceptable. Accordingly, I believe that the United States should consider ways of involving the U.S.S.R. in the region which both give it a meaningful part in preserving the peace, perhaps under UN auspices, and reward it for constructive and cooperative behavior.

*Comment by Robert E. Hunter*

I concur in the importance of the United States’ taking an active—indeed vigorous—part in pursuing further steps to build peace between Israel and its Arab neighbors. It would be presumptuous to say that only one course—out of many—can be effective, especially since most peacemaking efforts have met with failure. Nevertheless, I believe that, despite America’s reluctance in recent years to fulfill its responsibilities, U.S. leadership can still play a key role in shaping the course of negotiations. This leadership can even help to transform basic assumptions about what is possible and what is not.

The new American administration in 1989 should begin by working with the Israeli government that is brought to office in November 1988, and it should make this relationship the basis for reaching out to other parties, beginning with Jordan. I thus support Option 2 of this report.

There are many means for doing so. Even though conventional wisdom holds that “Camp David” is dead, I remain convinced that the most likely means for ending stalemate regarding the West Bank and Gaza is to pursue some form of interim solution, such as that set forth in Camp David’s concept of autonomy. This view is, of course, in marked contrast with the movement toward an inter-



national conference—an ideal, perhaps, but one that strikes me as incapable of resolving a series of apparently intractable disputes.

In particular, I remain deeply skeptical that the Soviet Union is yet prepared to play a role that would contribute to peace rather than be a continuation of its long-standing policy of “no war, no peace.” That judgment may be wrong. But I believe it is imperative that the Soviets’ intentions be thoroughly tested before they are introduced into the Arab-Israeli peace process. It would also be useful to make much more progress regarding the West Bank and Gaza and the Palestinian issue before widening discussions to involve Syria and the Soviet Union. If at all possible, they should be seeking admission to a working peace process, rather than our seeking their support to make a peace process workable at all.

*Comment by Geoffrey Kemp*

I support the call for an international conference to resolve the Arab-Israeli conflict for three reasons. First, there is no alternative mechanism at this time that can bring the key players together for negotiations about exchanging territory occupied by Israel in 1967 for peace and a comprehensive security regime. It is possible that bilateral negotiations between Israel, Jordan, and the Palestinians could take place, but agreements reached under these conditions would almost certainly be restricted to day to day matters of management and administration of the occupied territories. King Hussein has made it clear he will only enter into fully-fledged negotiations under the umbrella of the international conference. This is why the Israeli Labour Party under Shimon Peres has endorsed the conference idea, albeit reluctantly.

Second, by stipulating preconditions for the conference, including the resumption of Soviet and Israeli relations and the issue of Palestinian representation, a considerable amount would be accomplished before the formal meetings ever got underway.

Third, the lead-up to a conference would accelerate the need for the Israelis and the Palestinians to make some fundamental choices as to the compromises they are both prepared to make in exchange for a political settlement. In the case of Israel it is unlikely that the government could go to the conference before a general election fought on the issue of territorial compromise. Forcing the pace at which such difficult decisions have to be made is not without risk but forever putting off the moment of truth is not wise either.

*Comment by Philip M. Klutznick*

I have gone through the painful process of arguing with myself on the excellent policy paper prepared for final review by Bob Hunter and Geoff Kemp. I think that Bob and Geoff have done such a remarkable job of trying to be fair, comprehensive, and yet realistic about this almost impossible challenge that I have nothing but unreserved praise for their effort under your leadership. While for old-time’s sake I might have preferred giving the Camp David conclusions another try, I realize enough time has passed that the international conference is about the only alternative available now and it should not be handicapped in any fashion. The incomplete business of the Camp David accords can be handled if there is a will to do so within the framework of the international conference.

I wondered how Bob and Geoff were going to handle the nuances of differences, some of which were a bit sharp but most of which could be adjusted in further discussions. I reiterate I think they have done a remarkable job . . . my personal admiration for a stellar performance.

**Comment by George C. McGhee**

1. Oil prices, alternate sources, and conservation of oil are in a free enterprise capitalist system controlled by the free market, and overall negotiations on price between consumers and producers would be contrary to U.S. policy, impossible to organize, and probably illegal under antitrust laws. The U.S. government has consistently opposed oil import duties and, after an unsuccessful start, support for alternate sources of oil.

2. I believe our Western European allies analyze Middle East issues in much the same way that we do, including recognition of the importance of both of us having an even-handed Middle East policy. The only real difference between us results from the much greater degree of control over our legislative bodies by Israeli supporters. Both the European and U.S. governments give weight in decision-making on Middle East issues to the future availability and price of Middle East oil. Since this represents 70 percent of the oil reserve of the world, we both, in my judgment, would be derelict in not doing so.

**Comment by James H. Noyes**

*First:* In Section VI.C., I find the stated three reasons for reflagging incomplete. In targeting Kuwait, Iranian strategy was to intimidate Kuwait and the other GCC states into ceasing financial and other support for Iraq, thus assuring an Iranian war victory. The success of this Iranian tactic would have assured Iranian hegemony in the Gulf. Apart from the more-than-implied U.S. defense commitments of long standing on the Arabian peninsula, there was the specific policy commitment by Deputy Secretary Warren Christopher very early in the war to provide (beyond AWACS) military support requested by non-belligerent states in the Gulf. As the paragraph stands, the entire strategic purpose of the long U.S. association with the predominate oil producing states of the Gulf—the Arab states—is almost trivialized in the words following the last semicolon. . . “to reassure the Arab states” . . . etc. There should be no implication that reflagging occurred primarily as a result of the Iran arms sales.

*Second:* In the section on “The Case for Deep U.S. Engagement” (X.1) (or possibly “Relations with Israel,” Section VI.A.2), we omit one of the most compelling reasons for deep U.S. engagement. The greatest damage to U.S. Middle East interests over the past decade—events in Lebanon and the arms sales to Iran—both occurred during periods of slack U.S. official interest in the area. Both involved Israeli initiatives that led U.S. policy. Both highlighted the fact that U.S. and Israeli interests do not always coincide and that in periods of U.S. passivity the dynamism and determination of Israel will take over. Given the closer U.S.-Israeli strategic cooperation mentioned, particularly in intelligence sharing, the U.S. must exercise even more care to define and pursue its own distinct goals. This does not diminish the benefits of the relationship for either country. On the contrary, Israel’s strategic position is enhanced when U.S. policy and its implementation exhibit poise connoting strength and leverage in the region.

**Comment by Richard B. Parker**

While preferring Option 1 to Option 2, I do not think it goes far enough. In my view we should recommend direct contacts with the PLO if we are serious about getting meaningful negotiations underway. Peace will not be possible without Palestinian participation in the negotiating process, and the Palestinians have no alternative leadership which enjoys sufficient legitimacy to conclude an agreement with the Israelis and have it honored. If we are going to let the

Soviets do our preliminary negotiating with the PLO, which seems to be the result we can expect from the course recommended, we will lose much of our leverage and will run the risk of serious misunderstandings of each other's positions.

**Dissent by Pieter Schenkkan**

I dissent from the attribution by the paper of the Reagan Administration's mishandling of the Middle East to its adoption of a policy of disengagement. The Administration's failures, e.g., arms to Iran to raise money for the contras, and sending Marines into Lebanon to show we would not cut and run, did not result from a policy of disengagement but rather from a policy of thoughtless, indeed recklessly foolish, adventurism. The lesson to be drawn is the need for better judgment, not more (or less) activism.



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