
THE PERSIAN GULF:

POLITICAL AND ECONOMIC ISSUES



HD
9576
.P52P47
1991

A REPORT BY THE MIDDLE EAST INSTITUTE

The Future of the Persian Gulf:
Political and Economic Issues

THE PERSIAN GULF:

POLITICAL AND ECONOMIC ISSUES

PROPERTY OF
GEORGE CAMP KEISER LIBRARY
MIDDLE EAST INSTITUTE
1761 N STREET, NW
WASHINGTON, DC 20036-2882
(202)-785-0183



A REPORT BY THE MIDDLE EAST INSTITUTE

HD
9576
.P52P47
1991

PROPERTY OF
GEORGE CAMP KEISER LIBRARY
MIDDLE EAST INSTITUTE
1761 N STREET NW
WASHINGTON, DC 20036-2883
(202) 782-0183

Copyright © 1991

The Middle East Institute

1761 N Street, NW

Washington, DC 20036

The Future of the Persian Gulf: Political and Economic Issues

A Report from

The Middle East Institute

Washington, DC

September 1991

Charles Doran, editor

Introduction	1
Sources of Insecurity in the Persian Gulf by Shibley Telhami	4
Western Economic Interests and the Postwar Gulf by Edmund O'Sullivan	6
OPEC and the Politics of Gulf Oil by Mary Ann Tetreault	10
Iraqi Prospects for Assimilation by Elaine Sciolino	13
US Policy toward Reconstruction in the Gulf by Patrick Clawson	16
Multilateral Perspectives on the Gulf by Richard Norton	20
The Effects of the Gulf War on Arab Politics by Tareq and Jacqueline Ismael	24
Forces of Social and Political Change in the Gulf by Kiren Chaudhry	27
The Future of US Policy in the Gulf	31
The United States and the "New World Order" by Charles Doran	35
About the authors	39

Introduction

Although the Gulf War is over the US military intervention in the Gulf may affect the Middle East and the United States for many years. To assess the impact of the war the Middle East Institute (MEI) sponsored a conference in June, 1991, entitled, "The Future of the Persian Gulf: Political and Economic Issues". The following papers, presented at that gathering, analyze the political and economic repercussions of the conflict from various perspectives and approaches.

Thanks to a grant from the John D. and Catherine T. MacArthur Foundation, The Middle East Institute has been involved in a continuing analysis of the political and economic dynamics of the Gulf region since 1988. This analytical endeavor was originally conceived by Alphonse DeRosso, an analyst of Middle East economics and a long-time friend of the Middle East Institute. Soon after the conception of this project MEI hosted a seminar involving Department of Energy officials, US oil company executives and analysts of US dependence on Gulf energy resources.

In April 1990, MEI and the Johns Hopkins University School of Advanced International Studies held a conference on the Persian Gulf attended by more than 200 analysts and public figures concentrating on Middle East issues. At that time the Washington policy community remained largely unconcerned about the possibility of future conflict in the Gulf following the Iran-Iraq War. But Charles Doran, professor of international relations at Johns Hopkins University and associate director of MEI's study, predicted that unless the United States addressed the underlying sources of regional political tensions, magnified by an arms race of increasingly advanced weaponry, the Gulf would be unstable in the near future. The varying views presented at the April 1990 conference were published in a volume edited by Charles Doran and Stephen Buck, *The Gulf, Energy, and Global Security: Political and Economic Issues* (Boulder, CO: Lynne Rienner Press, 1991).

As the Iraqi-Kuwaiti conflict necessitated further analysis of the political and economic issues facing the Persian Gulf and the global community, MEI enlisted a diverse group of prominent Middle East analysts to present their views at a conference, on a nationally broadcast MEI radio program, "The Persian Gulf One Year After," and in this report. The papers in this report reflect the principal, albeit divergent, approaches to the politics and economics of the Middle East and policy options for the US. As a whole these essays offer thoughtful and provocative analyses of the major issues of concern to those interested in the region. The Middle East Institute itself takes no position on political issues, preferring instead merely to provide a forum for intelligent points of view to be presented and debated.

The Middle East Institute is grateful to the John D. and Catherine T. MacArthur Foundation for its generous support of this project. We also value the opportunity to work again with Charles Doran, who served as editor of the publication and author of two important papers for our study. Andrew Parasiliti, MEI's director of political and economic programs, was chiefly responsible for organizing the conference and overseeing the preparation of the papers for publication. Kristina Palmer, MEI's program officer, shared responsibility for administering the conference and preparing this report. Robin Surratt,

managing editor of the *Middle East Journal*, provided technical editing of this document. David Greene, a summer programs intern from Harvard University, assisted in editing and organizing the papers for publication.

Robert V. Keeley
President

Andrew T. Parasiliti
Director of Political and Economic Programs

Sources of Insecurity in the Persian Gulf

by

Shibley Telhami
Cornell University

In the Middle East--particularly in the Persian Gulf--nations seeking to enhance their own security often appear to diminish that of their neighbors. This problem is generally addressed by the formation of balances of power, either through off-setting arms buildups or through the forging of alliances. Unlike many parts of the world, however, the Middle East faces other sources of insecurity that cannot be addressed by a typical balance of power formula.

The first problem of Middle East security is the interdependence of government legitimacy in the Arab world. Because Arab governments lack real electoral legitimacy, they rely on cultural, historic and religious symbols. Most symbols of Arab legitimacy, whether Islamic or Arab, are transnational. In pursuing their own national interests, Arab governments present credentials relating to these transnational issues; what the governments of Egypt or Saudi Arabia do for their own interests must be presented as good for all Arabs or Muslims.

This need creates an uncomfortable interdependence that tends to alter the priorities of government. Arab and Islamic political movements outside a given state affect the political movements within that state. For this reason, many Arab governments continually compete for regional leadership in order to control the means of legitimacy. The closer states are in ideology, and thus in the use of ideology as a tool for legitimacy, the fiercer their competition. The relationship between Syria and Iraq, the two Baathist states, is a good case in point. Their competition for leadership of the Arab world has served to exacerbate security problems in the region.

The central issues of Arab politics complicate the problem even more. Of the few issues on which the competing ideological movements agree, one stands out--the Palestinian question. To be sure, Arab states have abused this situation for their own ends, with the Palestinians always paying a price, but for historical reasons, the Palestinian issue remains the core symbol of every major Arab, Islamic and anti-colonial movement. It provides the lens through which Arabs view the world, even if this issue is not high on the daily priorities of most of them.

A second issue complicating Middle East security is the disparity in the distribution of human and economic resources, which cannot be ignored given the transnational nature of legitimacy in the region. This question is central not only in the political and economic realms, but also in the military realm. Most states that have the money to buy sophisticated weapons for defense lack the human capacity to absorb these weapons. Despite extraordinary spending on weapons by Saudi Arabia, for example, its military weakness was exposed during the recent war. This means that the tendency in the region toward asymmetric weapons procurement will complicate arms control: States that cannot afford, or cannot effectively absorb sophisticated aircraft will try to offset their opponents' capabilities by accumulating technically manageable missiles; states that cannot attain nuclear capabilities will seek cheaper and simpler unconventional capabilities like chemical

nuclear capabilities will seek cheaper and simpler unconventional capabilities like chemical and biological weapons. This creates a category-interdependence of weapons that inhibits incremental arms control.

A third complicating element in the Middle East security picture is the centrality of the region to global politics because of the importance of oil to Western economies and the importance of Israel to the United States. Regional actors have often exploited superpower interests for their own ends. Despite the popular sentiment against the presence of foreign troops in the region, Middle Eastern states, like other small states, have generally preferred dependence on superpowers over dependence on regional powers. The Gulf War revealed that members of the Gulf Cooperation Council (GCC) are not in a position to defend themselves either collectively or individually. As a result, they need to forge alliances with other states. GCC states, however, prefer depending on the United States over depending on other Arab states, such as Egypt and Syria.

The United States may thus face irresistible temptations to exert its influence in the region even though its interests there are more easily protected: the once-feared Soviet threat has diminished; Iraq is not likely to be a serious threat to its neighbors for some time to come; and, although Iran has emerged in an improved position in the region, the probability of its posing a direct military challenge to its neighbors remains low. While oil remains of vital interest to the West, studies of trade patterns in the Middle East show that the flow of oil supplies from the region has depended more on economic variables than on political or ideological ones. Put differently, the flow of oil to the West does not require a US military presence.

The United States faces two contrasting policy choices: a simple strategy of maintaining a military presence in the region in coordination with GCC states without making serious efforts to address other regional problems or a strategy that encourages political liberalization and economic redistribution and actively seeks a solution to the Palestinian problem. The first strategy requires less immediate energies and will work in the short-run but only at the expense of long-term interests.

Addressing the security problems in the region entails not only addressing the balance-of-power aspect of these problems but also addressing the question of transnationalism. This can be adequately accomplished only by replacing traditional forms of legitimacy with electoral legitimacy through political liberalization and by addressing the two biggest issues fueling transnationalism: Palestine and economic disparity.

A US military presence as a substitute for an active effort to alleviate central political and economic problems will likely decrease incentives for Arab Gulf states to transfer some of their wealth to more-populated Arab states, such as Egypt, in exchange for security assistance and reduced political competition. Continued economic disparity in the region will rekindle transnationalism. As the question of Palestine will no doubt be revived, the absence of a Palestinian-Israeli peace will put stress on popular perceptions of the United States and its regional allies.

To sustain themselves, Arab allies of the United States might become more repressive and, as a result, Islamic activism will rise. Since repression entails the absence of the legal means to organize political opposition, lacking alternative vehicles for mass political organization, the populace will turn to available social structures; in the case of the Middle East, it is the mosques. The absence of legitimacy through representative government, and the turn to religious and cultural vehicles for mass political mobilization, will fuel transnationalism in the region even more. The potential consequences of these

events are not favorable in regard to US interests.

The alternative policy is more difficult and time-consuming but potentially more promising: encourage regional self-reliance through economic redistribution, press allies to liberalize their polities and seek a lasting settlement of the Palestinian question. If the United States succeeds, security in the region would be enhanced with minimal need for military intervention. It is tempting to think that both policies can be pursued simultaneously. The reality of US politics and national priorities are such that the short-term success of one policy removes the urgency for the second and assures its failure. The United States cannot avoid making choices.

Western Economic Interests and the Postwar Gulf

by

Edmund O'Sullivan
Middle East Economic Digest

Western economic interests in the Gulf have emerged largely undamaged from the Kuwait crisis. The region's capacity and willingness to supply oil will be sufficient to meet Western needs during winter 1991 despite the continuing absence of more than a fraction of Iraqi and Kuwaiti oil output. The Gulf's appetite for Western goods remains strong, although the level of imports in 1991 is likely to be lower than in 1990 because of the disruption in Iraq and Kuwait. Finally, the Kuwait crisis has greatly reduced the significance of Gulf official financial surpluses, and concomitant leverage over Western economies.

The resumption of oil exports by Kuwait and, eventually, by Iraq, coupled with the accelerated oil industry capacity expansions in Saudi Arabia and Iran, will help contribute to a combined Organization of Petroleum Exporting Countries (OPEC) capacity level by mid-decade which will be well in excess of projected Western demand.

These comforting prospects, however, should not be allowed to obscure the potential threat to Western economic interests posed by the significant financial indebtedness which will develop from present trends in oil prices and domestic economic policies in most Gulf states, including Saudi Arabia, by mid-decade.

Data and Analysis

Western economic interests in the Gulf can be broken down into three principal elements: oil supplies, export markets and financial flows. This paper will consider them in three time periods: up to the end of 1990, the immediate aftermath of the Gulf crisis and from late 1991 to the mid-1990s.

The Past

Gulf oil output reached a peak in 1977 when it was equivalent to more than 70 percent of the supplies from OPEC and more than one-third of world deliveries.

Oil. High prices and energy-saving measures in consuming countries, coupled with slow world growth in the late 1970s and early 1980s, took their toll on demand for Gulf oil, which reached a cyclical low of less than 20 percent of world supplies in 1985. In 1990, despite sanctions against Iraq and the occupation of Kuwait, Gulf oil accounted for 25 percent of the world total. The rise in demand since the mid-1980s reflects, in part, the recovery in Western oil consumption, particularly in demand for Gulf oil in the United States. Oil consumption in industrialized countries as a percentage of Gross National Product (GNP), however, fell by 25 percent over the decade. Oil as a percentage of primary energy use in industrialized countries fell over the same period from 51 to 43 percent.

Exports. In 1990, the combined value of exports from the European Community,

Japan and the United States to the eight Gulf states amounted to just over \$41 billion, accounting for an estimated 60 percent of total Gulf spending on foreign goods that year. (See chart II.) This would make the Gulf a larger overall export market than Italy or France. Service exports by Western companies may be worth up to 20 percent of the value of merchandise exports.

Financial Flows. Chart III shows that deposits placed by Gulf countries with the Western banking system rose consistently between 1985 and 1990, despite the oil price crash of 1986. This rise in placings, despite the sharp reduction in Gulf current account surpluses, probably reflects the impact of flight capital. The scale of the stock of Gulf flight capital was heavily increased by the threat of Iranian victory in the Iran-Iraq War in 1985-87 and then by the 1990-91 Gulf crisis. In 1990, net placings from the Gulf with the West exceeded \$200 billion, yet, as a proportion of the total deposits of Western banks, the Gulf region fell steadily in significance in the 1980s. (See charts III and IV.)

The Present

The economies of the region are being dominated by the immediate response to the Gulf crisis.

Oil. Sanctions against Iraq, coupled with the physical elimination of Kuwaiti oil output capacity by Iraq's army of occupation in the final weeks of the crisis, has reduced available production capacity in the region by more than 5 million barrels a day (b/d). The impact has been fully offset by higher production by several leading OPEC countries, notably Saudi Arabia. The kingdom has declared its intention of maintaining its production at 8 million b/d for the indefinite future. At its June 1991 ministerial meeting, OPEC agreed on an overall production ceiling of 22.3 million b/d for July-September 1991. All the evidence is that this is sufficient to meet world demand comfortably, and oil prices in the first two weeks of June weakened. As of mid-1991, they stand almost \$4 below the level necessary for OPEC to achieve its price goal. A gradual upward shift towards the OPEC price goal is, however, likely as world consumption reaches a seasonal peak in October-December.

Exports. The Gulf crisis and its immediate aftermath have produced conflicting trends in regional demand for imports. Iraq was a major export market for Western goods, and the continuation of sanctions will cause a significant fall in regional imports. The continuing disruption of the Kuwaiti private and public sector is an additional factor depressing the demand in the Gulf for foreign goods. These factors are being offset by emergency spending on reconstruction in Kuwait, a new burst of spending on defense equipment and infrastructure in the Arabian peninsula and the acceleration of oil production capacity programs in Iran and Saudi Arabia. Nevertheless, the overall effect of the crisis on trade is likely to be a compression of overall Western exports to the region in 1991, although the fall in foreign sales of goods and services to the Gulf will be modest compared to the impact of the 1986 oil price crash.

Financial Flows. Saudi Arabia is expected to record a current account deficit of about \$15 billion. Kuwait will have a current account deficit for the first time in recent history, and Bahrain and Iran are also likely to be net capital importers in the year. Oman and Qatar are forecast to record a rough external balance. Only the UAE is likely to report a current account surplus, although this will be sharply reduced by its contribution to the costs of Operation Desert Storm and the economic assistance program organized

through the Gulf Financial Crisis Co-ordination Group.

Overall the eight countries of the Gulf are likely to record a combined current account deficit of at least \$25 billion. This will be financed through the combination of foreign asset sales and external borrowing. The substantial regional balance of payments deficit will principally reflect public sector deficits. The overall effect on global financial markets will be offset, however, by the significant expansion in private capital flows from the Gulf into the Western banking system. It is estimated that the Saudi banking system had liquid assets at the start of June 1991 worth about SR 150 billion (\$40 billion). The Saudi government is seeking to direct some of this into financing its deficit arising from the crisis, but a proportion will inevitably find its way into the Western banking system.

The Future

The Gulf crisis has had a long-term impact on each of the three elements of Western interests in the region.

Oil. The elimination of Iraqi and Kuwaiti oil from world markets has given Saudi Arabia the opportunity to restore output to levels last seen during 1979-1981. The kingdom has signaled that it will not pursue, in the 1990s, the swing-producer strategy that eventually led it to cut output to little more than 3 million b/d on average in 1985. To underpin its claim to a sharply increased share of world markets and overall OPEC production, Saudi Arabia is pressing ahead vigorously with a program designed to expand capacity to about 10 million b/d by the middle of the decade, and it is seeking to acquire downstream assets in leading energy-importing countries.

Iran's response is similar. Tehran has announced plans to raise sustainable oil production capacity to 5 million b/d by March 1993. Iran is also interested in acquiring downstream investments, and it is working to restore supplies to North America.

These investment programs have increased chances that there will be no supply shortages for the period in which Iraqi and Kuwaiti exports are blocked. Once Iraqi sanctions are lifted and Kuwaiti production resumes, these programs will ensure that OPEC's production capacity by 1995 will be about 35 million-37 million b/d, compared with OPEC's forecast that the draw on its member countries' supplies will be about 27.75 million b/d. This suggests that even if Iraqi, Kuwaiti and Iranian capacity were eliminated, there would be sufficient capacity to meet world needs.

This author forecasts that despite the desire among Gulf oil producers for higher oil prices, there is a low probability of the countries in the region establishing a lasting agreement about oil production, exports and pricing in the first half of the 1990s that will lead to significantly higher oil prices. Instead, the OPEC reference price will vary in the range of \$18-21 a barrel in 1991-95.

The implications of these factors taken together for Western economies are that once the winter of 1991-92 is over, OPEC oil supplies will be more than adequate to meet world demand for the indefinite future; there are no immediate threats to the security of oil supplies. OPEC will be unable and unwilling to push up oil prices in real terms above \$21 a barrel at 1991 prices, the most likely scenario being that prices in 1991-95 will consistently fall short of this level. In short, Western oil supplies from the Gulf will be plentiful, reasonably priced and secure in the 1990s.

Exports. The following factors will combine to maintain the region's appetite for Western goods: the structural imbalances of all the countries of the Gulf which make them

unable to satisfy more than a fraction of domestic demand for goods and services; reconstruction programs in Kuwait, Iran and, ultimately, Iraq, which are heavily biased towards Western capital goods and services; defense spending, which principally benefits Western suppliers since the Eastern bloc seems certain to drop out of regional defense markets; and oil industry expansion programs.

Financial Flows. In contrast with the oil shocks of 1973-74 and 1979-1980, the Gulf crisis has reduced rather than increased Middle East financial surpluses. The tendency for the financial assets of the Middle East to diminish as a proportion of the total stock has been accelerated. The one-off downward shift in the accumulated surpluses of Kuwait, Saudi Arabia and the UAE will be followed by a continuing demand for capital inflows through the 1990s, unless there is a sharp change in the economic policies pursued by the governments of the region. The region's high population growth rates--in excess of 3 percent a year--and the high economic expectations of the people in the region, particularly in the Arabian peninsula, will place serious restraints on the capacity of Gulf governments to trim public expenditure, particularly from social welfare programs.

Conclusion

For the immediate future, there are limited reasons for the West to be concerned about its key economic interests in the region. Oil supplies from the region are secure, plentiful and should be reasonably priced; the region will continue to be heavily dependent upon Western imports, and petrodollar surpluses are set to decline in significance through the early 1990s and probably beyond.

The very processes that provide the West with short-term economic comfort, however, could eventually produce results that would undercut its vital interests in the region. On present trends, the creditworthiness of all the Gulf countries will steadily decline; by the middle of the decade several countries will have to deal with the financial consequences. Saudi Arabia, due to its commitment to heavy public spending on social programs, oil industry developments, defense and international aid could have used up all its stock of foreign assets. Kuwait could also be moving in the same direction. Iran is rapidly increasing its foreign debts, and the legacy of Iraq's decade of war will continue to weigh heavily on its economy.

Unless there are changes in the domestic economic policies of Gulf governments aimed at containing public spending and promoting productive activities, the entire region may become seriously indebted by mid-decade. Such a development will present challenges to all the governments of the region, particularly to the pro-Western regimes of the Arabian peninsula, at a time when the need for renewal in their top decision-making systems will be increasingly pressing.

OPEC and the Politics of Gulf Oil

by

Mary Ann Tetreault
Old Dominion University

Several factors work against the resumption of orderly marketing under a reinstated Organization of Petroleum Exporting Countries (OPEC) quota system which would include Iraq and Kuwait. Prices were higher in June 1991 than a year earlier yet too soft to ensure conciliatory cartel behavior. Demand is also soft because of the lingering economic recession, so consumers are unlikely to give OPEC much assistance. The United Arab Emirates (UAE), by far the most militant overproducer in recent years, is publicly opposed to what it perceives as the stinginess of its new quota, while Iraq has challenged the legality of the quota suspension which began in August 1990. All the Gulf producers, including the Saudis, have sustained war-related expenses. These make demands on income streams already inadequate because of income losses resulting from the 1985-86 oil price collapse and rising domestic expenditures for development projects, social welfare, foreign debt service and domestic peace. Both Saudi Arabia and Iran are moving ahead with planned production capacity expansions as are Libya, Nigeria and Venezuela. Thus OPEC members are squeezed between a continuation of the fiscal situation which prevailed before the war, along with capital requirements for capacity expansion, and the costs of the war itself. Yet OPEC's prospects are not hopelessly bleak because of the differences between today's market and the soft markets of the 1980s.

The earlier crises of 1982-83 and 1985-86 illustrate a number of lessons that might be applied today. For example, the political isolation of a major exporter--Iran--invited retaliatory behavior and reduced the general level of civility, cohesion and cooperation within OPEC. Today Iran is making a strong bid to return to a position of leadership within OPEC and in the Gulf region. Significantly, Saudi Arabia, the greatest of the OPEC giants and the de facto US "client" in the Gulf, has treated Iran's overtures with respect and consideration, hoping to trade a bitter opponent for an ally prepared to assist OPEC's current efforts to build bridges between oil producers and consumers. The lesson is that OPEC, most particularly its Gulf members, must be prepared to reintegrate Iraq when the sanctions are lifted. In this case, as it was with Iran, results will depend upon the individual member as well as on the behavior of the group. It would be much easier all around to rehabilitate Iraq if the leadership or the regime itself were to change.

A second lesson suggests that OPEC devote more resources to broadening the responsibility for market management and the redistribution of oil rents to include actors other than OPEC members. This would reduce OPEC's political, and perhaps also its economic, marginality. Some non-OPEC producers, for example Mexico, learned this lesson during the price collapse of 1986 which increased incentives for some non-OPEC producers to consult regularly with members of OPEC and to begin to see their interests in the larger context of the market they all share.

Another step toward the broadening of responsibility for the oil market was taken in the form of renewed calls for a producer-consumer dialogue and the actual setting of a July 1991 date for the first official producer-consumer conference. In the past, the greatest

obstacle to such a dialogue was the United States. Officially, the US position has not changed, but global political parameters have, reducing the influence of the US position on other actors. The redistribution of power in the international system has also enlarged the political capacity of European and non-aligned nations, individually and in coalitions, to pursue their national interests autonomously. Greater accommodation between producers and consumers is increasingly interpreted by major market actors as a rational response to shared interests.

The sponsors of the conference, France and Venezuela, represent the opportunities for innovative policymaking implied in the "new world order." In some sense, each is marginal within its coalition; neither is the central player but each has significant resources as well as interests in, and connections to, nations and groups on both sides. The liminal character of the sponsors and their decision to concentrate on a broad representation of interests--reflected in an agenda that seeks to build bridges rather than walls between these interests--is itself a promising innovation. An interests perspective is also favored by the relative balance of power between OPEC and the International Energy Agency (IEA). This novel situation removes the perception that support for negotiations between producers and consumers is simply a losers' position.

A final lesson for all observers of the oil market is that distinctions exemplified by the terms "low absorber" and "high absorber" are no longer useful, if they ever were. There is no individual or category of oil exporters which "should" carry the cost of market management while others do as they like. Indeed, there is no participant in the market--consumer, producer or corporate mediator--entitled to a free ride.

Some ephemera also favor OPEC, such as the decline in Soviet production which adds immeasurably to the political costs of Soviet oil sales to the West, thus limiting Soviet inroads into OPEC's export markets. Continued declines in Soviet production also open new markets for OPEC, especially for those exporters, such as Kuwait and Iran, willing and able to penetrate these markets with joint ventures and barter deals. Gulf exporters such as Kuwait and Iran are moving in this direction. Another potential OPEC rival may have taken itself out of the running for an enlarged market share when China decided in May 1991 to close its western frontier area to foreign firms. This could retard energy development because of China's lack of capital and technological resources. Countering these positive developments is the continued high level of investment in the expansion of production capacity worldwide. As capacity diffuses, OPEC's role as marginal producer is reaffirmed and its tactical control of the world market is eroded.

There are positive political developments that favor OPEC, chiefly the positions of the United States and Britain with respect to lifting sanctions against Iraq and the improvement in relations between Iran and its neighbors. Both the United States and Britain have said they would vote to lift sanctions only after Saddam Hussein is replaced. This helps OPEC in two ways. First, the continuation of sanctions keeps Iraqi oil out of the market, providing precious time for other members to repair their economic positions through larger-than-normal exports and to plan or the reintegration of Iraqi production when sanctions are lifted. Second, if US and British pronouncements are actually accomplished, the diplomatic conditions under which Iraq would return as an active participant in OPEC would be significantly improved, reducing strains within the organization, especially for its Gulf Cooperation Council (GCC) members. Any improvement in the likelihood that other Gulf producers would accept this new Iraq and that the new Iraq would accept them would also increase the cohesion of the organization

as a whole.

Improved regional relationships will ease tensions within OPEC. Iran and Saudi Arabia are more favorably disposed toward cooperation in oil and other matters than they have been for well over a decade. As former Organization of Arab Petroleum Exporting Countries deputy secretary general Fadhel al-Chalabi has recently noted, however, the lack of democracy in the region contributes substantially to poor domestic and foreign policies in all the Gulf countries. If the most open of them, Kuwait, had not suspended its legislature and constitution in 1986, would the government have been able to unilaterally increase production in reckless disregard of the possible consequences? Indeed, if the Kuwaiti regime had come closer to achieving the democratic promise of its post-independence beginnings, the need for money to buy off its domestic opponents might have been less acute and thus the pressure to get money somehow, anyhow, significantly less. Improved international relations supply only half of the equation. Improved intranational relations are equally important for interest-based politics within OPEC.

Finally, the likelihood that the global economic recession will persist, and even deepen, haunts OPEC with the continued specter of stagnant demand which erodes its capacity to adjust internally and to protect its export position vis-a-vis non-OPEC producers. Yet, the difficulties that lie ahead for OPEC are both political and economic, and as much in need of democratic structures and values as of technical expertise and diplomatic skills to ameliorate them. The war, with all its miseries, provided opportunities to make positive changes in some of these areas formerly frozen into intransigence or dominated by opportunistic responses to ephemeral events and conditions. As we watch, these opportunities are disappearing regardless of whether they have been seized. It is as likely as not that OPEC's chances will disappear too soon, forcing it and its customers back into their accustomed postures of conflict within and between their coalitions, to the detriment of their interests, individually and collectively.

Iraq: Prospects for Assimilation

by

Elaine Sciolino
New York Times

At the height of the Gulf War, when asked what postwar Iraq would look like, Bush administration officials made only one prediction: Iraqi president Saddam Hussein would not survive the year. Now that the war is over and Iraq's civil war has been suppressed, the administration is still holding to one prediction for Iraq, only it is a different one now: Hussein has consolidated power and is expected to survive, and even thrive.

Despite the damage, the destruction and the human suffering caused by the war, Iraq's president looks and sounds much as he did before the Gulf crisis. He is back on television, a bit thinner perhaps, visiting villages, kissing babies and holding meetings with the same group of supporters he has known and trusted since the Baath Party came to power 23 years ago. He shows no sign of having lost his grip on power.

Other leaders might have resigned and gone into exile abroad after such a cataclysmic defeat, or maybe been ousted by a rival commander or an opposition group or leader. Not Hussein, however. He survived, and he did it in three ways. First, he managed to preserve enough of his military, particularly loyal Republican Guard units, to put down any rebellion against him. Contrary to initial intelligence reports during and after the war that Iraq's army had been rendered powerless, Hussein emerged from the war with substantial amounts of military equipment and about one-third of his million-man army intact. It is a battle-tested force, leaner and meaner than before, and about 50 percent larger than the army under his command when he invaded Iran in September 1980.

Second, Hussein never lost control over the country's extensive security apparatus. Through an overlapping network of intelligence organizations, he insured over the years that there was no heir apparent, no viable domestic opposition, no democratic tradition and no military commander who could threaten his rule. After the war, Hussein behaved as he has always done when he found himself in trouble--he circled the wagons around him.

Hussein made trusted members of his family even more important than in the past. Perhaps in response to US president George Bush's call for the Iraqi armed forces to rise up and overthrow their commander in chief, Hussein promoted his son-in-law and cousin, Hussein Kamil Hassan al-Majid, to minister of defense. Kamel had risen through the ranks of the military not as a soldier but as head of security for the Presidential Palace. As minister of industry and military industrialization, he had overseen Iraq's weapons purchases and the development of its indigenous weapons industry. His appointment as defense minister sent a double message to the military. It was both a warning that military commanders would be watched even more carefully than before and a promise that, someday, Iraq's military infrastructure would be rebuilt.

Hussein also appointed his cousin, Ali Hassan al-Majid, as minister of the interior, responsible for the country's security services. Majid had ordered the gassing and massive relocation of Kurds in 1988 and had been assigned to maintain order in Kuwait in 1990 during the first three months of the Iraqi occupation. His appointment was a clear signal that future civil unrest would be severely punished.

Third, Hussein maintained his grip on power because not all of the Iraqi people rose up against him. Hussein has never ruled by terror alone. He has always been a modernizing bureaucrat who knew that his regime needed the loyalty and support that only rewards could bring. His concept of rule is known in Iraq by two alliterative words in Arabic: *tarhib* and *targib*, terror and enticement. There have always been special rewards for loyalty to the party and to the army and special enticements for minorities and gifts for those who cooperated. An important segment of Iraq's population, particularly the Sunnis in the country's center, are genuinely indebted to the regime and had a stake in its survival. When the Shi'a of the south and the Kurds of the north rebelled, there was widespread fear in the Sunni heartland that the country would splinter. For many Iraqis, stability was preferable to anarchy.

Hussein is now motivated by three goals: his political survival, the exportation of his country's oil and the rebuilding of Iraq's infrastructure. If Iraq can return to its 1989 oil production levels, and if prices stay at about \$20 a barrel, Iraq's oil exports would total about \$17 billion a year. If the United Nations (UN) Security Council accepts the plan proposed by Secretary General Javier Pérez de Cuéllar that Iraq pay 30 percent of its oil revenues for war reparations, Iraq will still be left with \$12 billion a year--enough to service the country's debt and begin to rebuild.

So eager is Hussein to achieve these goals that he will continue to press vigorously for some sort of accord with the Kurds and introduce a number of political and social reforms that have a democratic gloss. Since the war, he has announced the lifting of press censorship and freedom for citizens to travel abroad and has promised multiparty elections and a seven-year presidential term. Although there may be some loosening of constraints to convince the rest of the world that he has changed, the country cannot sustain too much freedom if Hussein is to keep the same degree of control. If history is a guide, there is every expectation that he will eventually revert to the closed system of the past.

Hussein has emerged from the war chastised and defanged, but he has shown no remorse for his invasion of Kuwait. Rather, he has transformed himself from Saddam-the-hero of the Arab world into Saddam-the-victim of US-led aggression. He has blamed the outside world for the lack of food, clean water and electricity and the onslaught of disease and malnutrition. A recent *Milliyet* interview with Bulent Ecevit, the former prime minister of Turkey, captured Hussein's line of thinking, an argument that has extraordinary propaganda potential as global sanctions continue to cripple the Iraqi people: "The Kuwait problem is over," Hussein said. "Then why is the United States still following a policy of starving the Iraqi people?"

The Security Council is unlikely to lift economic sanctions against Iraq until Hussein fulfils the requirements of UN resolution 687, particularly the destruction of Iraq's nuclear, chemical and biological weapons and long-range ballistic missiles and the payment of war reparations. The United States has articulated a policy that goes beyond the resolution, linking the sanctions to a change in the Iraqi regime. The US policy is based on the assumption that the sanctions will cause so much suffering in Iraq that the Iraqi elite will act against their leader. First announced in a speech by Deputy National Security Adviser Robert Gates, endorsed by President Bush, the policy is widely considered unsustainable by a number of administration officials in various agencies of the government.

As the anecdotal evidence of malnutrition and disease in Iraq mounts, the United States may find itself increasingly isolated. There has already been resistance to an overly punitive sanctions regime in the UN Sanctions Committee which includes all 15 members

of the Security Council. For example, the United States has opposed the secretary general's recommendation that Iraq pay 30 percent of its oil revenues for reparations, insisting instead on no less than 50 percent. No other country has supported the US position, and government officials acknowledge that the Bush administration will eventually have to back down.

The current sanctions regime is also inconsistent, and the Shi'i population of Iraq has complained of a double standard. The United States and its allies continue to provide massive aid to Kurdish refugees and displaced persons, who have not been deprived of food, medicine, shelter and symbolic protection, while there is both increasing evidence that large segments of the poor Shi'i population in the south is suffering and reports of new Iraqi repression of Shi'as who have tried to escape into Iran. One alternative would be for the Security Council to turn the sanctions regime on its head: force Iraq to sell its oil to pay reparations and to import food and medicine that would be distributed both by UN agencies and other international organizations such as the International Committee of the Red Cross.

In terms of foreign policy, Hussein has already sent clear signals that he wants to end his diplomatic isolation and reenter the international community. Also, there already are a number of signs that Iraq's neighbors have made their peace, however warily, with Hussein. After the signing of the Camp David accords between Israel and Egypt in 1978, for example, Hussein successfully led the campaign for Egypt's expulsion from the Arab League. Thirteen years later, Iraq has not been expelled from the league and has been allowed to take its seat in the body's restored headquarters in Cairo.

Iraq's neighbors find it easier to live with a stable Iraq headed by a weakened Hussein than a splintered Iraq without Hussein. During a visit to Washington in March 1991, Turkish president Turgut Ozal reflected the views of a number of Iraq's neighbors when he said, "I think it would be better if everybody stayed out and let the Iraqi people decide what they want to do."

Eventually, the strategy of punishing the people of Iraq--the poor are hardest hit by sanctions--will have to be abandoned in favor of a policy of containing Iraq in a weakened state. Already some Western intelligence officials are predicting that Hussein will successfully find a way to circumvent UN sanctions, spelled out in Security Council Resolution 687, that link the lifting of a ban on sales of all weapons to Iraq to Iraq's conduct. These officials say that if weapons sales are not carefully monitored, Hussein could once again pose a threat to his neighbors within a decade. Although it is unlikely that he will be able to rebuild the same military force he had before the August 2, 1990, invasion of Kuwait, blocking the sale of weapons and sophisticated technology will require extraordinary vigilance on the part of the United States and its allies. Containing Hussein will not be an easy task.

US Policy toward Reconstruction in the Gulf

by

Patrick Clawson
Orbis

Talk about the gap between rich and poor is a misguided idea for the post-Gulf War world and should be discouraged. First, the very phrase "the gap between rich and poor" focuses attention on redistributing wealth in the Arab world. The United States should strongly criticize calls for wealth redistribution. The aim of economic development in the Middle East should be to make all people in the region better off, not to promote income equality.

Second, it is not clear how to help the poor in the Middle East out of their poverty. In the past, aid to governments has had a bad record in the region; too much money has gone to bail out inefficient state enterprises, to finance boondoggles and to pay subsidies that temporarily aid the poor while doing nothing to make them self-supporting. No amount of aid can by itself solve the problem of some governments' incompetent policies and lack of concern about the welfare of their peoples. Aid must be in support of sound economic policies and should never slow the momentum of reforms vital for sustainable development. Postponing economic reforms may provide short-term political gains, but it is a recipe for long-term disaster, because the economic problems will continue to grow and require even more painful reform.

Third, there is no reason to believe that reducing the gap between the rich and the poor would do anything to solve the Gulf's political tensions. Take the case of Iraq, which has invaded two of its neighbors since Saddam Hussein came to power. Iraq's income is above the average for Arab League members. Iraq was one of the main recipients of Western and Arab aid in the 1980s. Under Hussein's rule, Iraq wasted \$40 billion in Arab aid plus another \$40 billion in non-Arab loans. Iraq is poor because of leaders like Hussein, who has ordered that priority be given to completing his latest \$20 million palace despite his country's economic crisis.

Iraq's poverty also has nothing to do with a lack of resources; it possesses the world's second largest oil reserves, which have been developed slowly only because of Baathist opposition to working with international oil companies. Iraq is also blessed with land so rich that it was considered the Fertile Crescent. For 3,000 years Iraq exported food, until the land reform of 1957 made it a food importer and Hussein's policies drove down agricultural output to a level lower today than in 1957. The real contrast between Kuwait and Iraq is between competence and incompetence, not between the rich and the poor. Kuwait should reject as offensive any calls to subsidize Iraqi mismanagement.

Fourth, aid is not an effective way to buy friends. The United States should discourage Gulf states from making cash grants for purely political reasons. It is a mistake to think that poorer Arab states can be bribed into protecting the rich Gulf states; military support in a crisis will come only from shared goals and a perception of a common threat. The \$70 billion the Saudis spent on aid since 1973 showed that aid does not buy friends. Furthermore, cash grants to rulers like Syria's Hafiz al-Asad can bankroll aggression and intransigence, rather than helping either Saudi interests or the Syrian people. Rather than

grants to governments, a better way for the oil-rich Gulf states to help the poor in friendly states, such as Egypt, would be to improve access to jobs in the Gulf.

A Middle East Development Bank?

There have been proposals for a multinational development bank for the Middle East, including a proposal from the Gulf Cooperation Council (GCC) for a \$10 billion fund. The bank would seem to be an excellent instrument for funding infrastructure projects that the area needs badly, as well as for promoting regional cooperative investments that no one government would undertake because the potential benefits would accrue at least in part to other states. The United States should not, however, give priority to the creation of a Middle East development bank for several reasons.

The bank would, in fact, be of little use to most Arabs. If the bank is to mobilize substantial amounts of new money, it cannot rely on grants from cash-starved governments. Instead, it will have to borrow on international capital markets, just as the World Bank does. That requires charging the borrowing countries market interest rates. All the poor Arab countries are heavily indebted already and could ill afford any more borrowing at market rates. Poor Arab states, already struggling under a heavy debt burden, would benefit more from adopting policies that attract foreign investment and repatriation of the billions their citizens hold abroad. It is difficult to imagine how such an institution could aid the Gaza Strip and the West Bank absent an agreement about their status, the same reason that precludes World Bank involvement there.

It would be difficult to organize any Middle East development bank that included the advanced industrial nations because of the question of which countries should participate. The Europeans and Japanese will not participate unless the United States also provides financing. The United States will not participate without Israeli participation, but Arab states may then be reluctant to participate. In other words, the bank idea is not going to fly politically. The issue of Israeli participation is not a minor point. Israel would be the most likely country to benefit from such a bank because Israel could make effective use of capital at market rates in order to put its immigrants to work. The proposal by Senator Joseph Biden for an Arab Development Bank which excludes Israel is an offensive attempt to exclude on non-economic grounds the United States' best ally in the region, precisely when that ally needs billions of dollars in loans to absorb immigrants we encouraged to leave the Soviet Union but then refused admittance to the United States.

The bank could not work if financed only by the oil-rich Gulf states. Their criteria for distributing aid are political, not economic, as we see in the proposals for a \$10 billion GCC fund. In any case, it is not clear if the Saudis will have the resources to fund a large aid program. The United States should not expect Saudi Arabia to be the paymaster for the region's problems, much less for the "new world economic order." The Saudis are rather rich, but their output per person is less than Israel's. Furthermore, the Saudi economy is small: the total Gross National Product (GNP) is less than one-third the 1991 United States budget deficit.

Reparations

According to an estimate by United Nations (UN) Secretary General Javier Pérez de Cuéllar, Iraq will be in a position to pay up to \$6 billion a year in reparations. Iraq is

a potentially wealthy country with valuable oil reserves that can be easily exploited. The allied bombing destroyed refineries but had little effect on Iraq's oil production facilities. The latter could be back in relatively full operation within a year, unless the Iraqis are too stubborn to hire Western oil firms to do the repairs. The most reasonable assumption is one made by the secretary general in his report of May 31, 1991--namely that Iraq will have \$20 billion a year in export earnings. Under the secretary general's calculations, that could pay for civilian imports at prewar levels--about \$10 billion a year--and for debt service, which would require about \$4.5 billion a year were Iraq granted the same terms as Latin American nations. The secretary general thus proposed that the maximum for reparations be set at 30 percent of Iraq's oil exports, or about \$6 billion a year.

The secretary general's report may seem surprising to those who have listened to the early reports about the effects of the war on Iraq, most of which were grossly exaggerated. Claims of \$100 billion in damages make sense only if pain and suffering are included. Iraq's entire stock of tangible wealth--land and minerals excluded--is no more than \$100 billion, based on the rule-of-thumb that net wealth is three times GNP. Half of that is for households--houses and cars--little of which was damaged. The other \$50 billion is in business assets and infrastructure. Many of the facilities hit were damaged but not destroyed, in part thanks to smart bombs. The cost of repairing the damage is a fraction of the price of rebuilding from scratch. Furthermore, some of the reconstruction is basically an acceleration of the normal process of repair and replacement.

If a government comes to power in Baghdad that is acceptable to the West and to the GCC, it would then be desirable to speed up Iraq's reconstruction. How could this best be accomplished? There are no circumstances under which the US-led coalition should provide grants or make loans that Iraq cannot afford to repay. Iraq is a potentially wealthy country with valuable oil reserves that can be easily exploited and which were not badly harmed during the war. The principle for aiding a friendly Iraq should be to buy more oil, not to burden Western or Gulf taxpayers. Full return to the prewar level might require as much as \$50 billion over 5-10 years for additional investment, to rebuild depleted stocks of imported goods and to import consumer goods in the months until oil starts flowing again. Iraq could rebuild at an economically ideal pace if it raised oil output roughly 2 million barrels a day above the prewar level. Such an increase in Iraqi oil output would be possible, both politically and technically, within three to five years with an acceptable government in Baghdad.

The proposed level of reparations sounds tough. To be sure, Iraq needs money to rebuild, but so do its victims, and they have a better moral claim. Kuwait needs to rebuild damaged or destroyed facilities, to replace the roughly \$20 billion in oil income that the Iraqi-set fires will consume, to compensate its people for lost property and income and to meet its pledges of more than \$15 billion to the allied coalition.

Oil Policy

It would be unfortunate if the impression were created that the United States is now in the position to dictate world oil prices. Oil prices are greatly affected by market forces, which determine how much is supplied by marginal producers and how much demand is siphoned off by other fuels or by conservation. Price instability, which impedes rational planning, is magnified by political shocks and by cartels that artificially drive up prices in the short term only to see them collapse in the medium term. US policy towards Middle

East oil should be to promote greater price stability by encouraging responsiveness to market forces: more oil output when prices are high, less when prices are low.

Unfortunately, many commentators and policymakers confuse support for oil price stability with support for the quotas of the Organization of Petroleum Exporting Countries (OPEC). The OPEC quotas are pernicious politically and economically. They are an invitation to a bully like Saddam Hussein to act as an enforcer. As for the economics, the quotas are a blatant effort to monopolize the market and to raise prices artificially. Fortunately, they are rarely effective. It is discouraging to hear some US pundits and politicians decrying the evasion of the quotas as if it were some crime. The most effective policy for achieving price stability is to discourage cartels and to promote competition, which means applauding those who ignore quotas. The United States should remind the Kuwaiti government that, while in exile, it announced that it would not be bound by any future quotas, and the United States should urge all OPEC members to join in that policy.

These remarks have only touched a few themes about US policy towards reconstruction in the Gulf. I do not claim to have offered a comprehensive vision. My sole claim for these comments is that I managed to address the issue of the postwar situation without once using the phrase "new world order."

Multilateral Perspectives on the Gulf¹

by

Augustus Richard Norton
International Peace Academy

By several measures, the international reaction evoked by the Iraqi invasion of Kuwait was extraordinary. With impeccably bad timing, Saddam Hussein launched his star-crossed attack at a moment when the United Nations (UN) Security Council was functioning with remarkable--by Cold war standards--collegiality, a condition reflecting the end of the East-West conflict as well as a very serious rethinking by the Soviet Union of the virtues of the UN as a mechanism for the maintenance of international order. The surfeit of domestic problems within the disintegrating Soviet Union certainly impeded any residual Kremlin ambition to fish in the roiled waters of the Gulf. One shudders to contemplate that only a few years ago the seizure of Kuwait would have more readily provoked a superpower confrontation than concerted cooperation between Washington and Moscow.

The signal significance of the UN-legitimated campaign in the Gulf can, however, be exaggerated. True enough, the US-led coalition reversed Iraq's aggression and restored independence and sovereignty to the grateful citizens of Kuwait. In vanquishing the Iraqi military and imposing a wide range of punishments upon Iraq, the international community has spoken loudly and underlined that blatant aggression will not be allowed to stand. Yet, to be frank, and not to minimize the diplomatic energy mobilized in Washington, New York and in capitals around the world, Iraqi President Saddam Hussein made it all a lot easier than it might have been. In effect, he stood by passively while the United States and its allies accumulated an unprecedented force in the Gulf, never interdicting the deployment, but waiting cooperatively for his forces and much of his entire military infrastructure to be crushed. He deployed his forces with neither imagination nor sophistication. So, while a precedent for collective international actions has obviously been set, the relevance of the precedent was, literally, exceptional. Iraq's undisguised aggression marked the limiting case. In the Gulf, as in the larger Middle East, the underlying problems do not come with the black and white clarity of the aggression which provoked this crisis.

It is probably much too early to evaluate the Gulf crisis as a watershed. The geopolitical balance in the Gulf is still settling into a new equilibrium in which Iran has clearly emerged as the major power. Indeed, Iran is the beneficiary of a rich irony: After a decade of US efforts to stifle Iranian power and influence, the victory of the US-led alliance has pushed Iran into the ascendant position. The Arab states of the Gulf have already begun accommodating the new geopolitical equilibrium. One senses a not-too-distant restoration of diplomatic relations between the United States and Iran but certainly not before the Western hostages in Lebanon are released.

¹ Some of the ideas presented in this paper were developed in collaboration with Muhammed Muslih and were published in the article "The Need for Arab Democracy," *Foreign Policy*, no. 83 (Summer 1991).

With respect to the peace process in the Arab-Israeli conflict, it is also premature to determine whether diplomatic "windows of opportunity" have closed, or remain open. Frankly, the metaphor often refers to policymakers' spans of attention rather than the proclivity of regional actors to move purposefully toward a settlement. Moreover, the dimensions of the "window" are a product, at least in part, of the vision exhibited by policymakers.

In contrast to the dynamism, imagination and scale of the effort to reverse Iraqi aggression, post-crisis diplomacy has been reactive, incremental and prosaic in the view of many observers. Yet, the Gulf War demonstrated the need for a new kind of thinking. Palliatives and double standards are now insufficient. It would be disappointing indeed, considering the sacrifices and the heavy human costs borne by the people of the area, if the region simply returns to business as usual.

There may be a very real opportunity to promote a broad range of initiatives, each perhaps relatively modest but impressive cumulatively. Not incidentally, these initiatives may lend momentum to incipient trends of democratization in the Arab world. Independent of the emergence of a collegial Security Council, there is a perceptible increase in the willingness of UN member-states to entertain the idea that the right of humanitarian intervention may outweigh, in some cases, the sovereign rights of states. The role which the UN is playing in Iraq to insure compliance with Security Council Resolution 687 and to provide security, albeit reluctantly, in the Kurdish region in the north is likely to push this discourse further along. In short, the long-frozen equilibrium between two absolute but contradictory values--sovereignty and human rights--is shifting. The recent popularity of internationally supervised elections is very much a function of this shift.

While it is premature to anticipate widespread enthusiasm for free elections among Arab ruling elites, is it not time to proclaim a moratorium on Middle East exceptionalism? No sensible person thinks it appropriate or prudent to attempt to transplant "democracy," as it is understood in the United States, to the Arab world. This does not, however, justify the frankly racist assumption that the Arabs are only governable by autocrats or that cultural conditioning has erased the yearning of the individual to participate in decisions affecting his or her life. Elections are no panacea, but they do provide a scope for choice which Arabs are increasingly demanding.

One yet unmeasurable but palpable result of the Gulf crisis is that many Arab intellectuals and policymakers now argue that the Arab malaise is precisely a product of the lack of freedom. This may turn out to be the most profoundly significant effect of the war. For their part, however, Western policymakers seem reluctant to articulate a vision for free political life in the Arab world. In the short run, loosening the grip of authoritarian regimes will be a messy process, and incrementally minded officials will resist encouraging the liberalization of Arab politics. Statesmen with a longer view of history, however, will appreciate that promoting liberalization is precisely the key to preempting the emergence of absolute rulers of the Saddam Hussein ilk.

Even with regard to Iraq it may be sensible, if audacious, to consider (internationally mandated) elections as preferable to the present sanctions regime. Given the extraordinarily intrusive role which the UN is already playing in Iraq, is it really far-fetched for the Security Council to demand free elections or a plebiscite on Saddam Hussein's rule? Internationally supervised elections would test the regime's self-declared willingness to broaden participation in public life. Is it really preferable to persist in the interminable application of sanctions waiting for Saddam to die of natural or unnatural causes?

In view of the sacrifices made by the world community to restore a free, sovereign and non-repressive Kuwait, the emirate also offers a compelling case for internationally supervised elections. If the Kuwaiti government were to submit a formal request for UN supervision of the planned 1992 elections, the political discourse in Kuwait would move to a more creative plane--namely, constructing the procedures and dimensions of free elections. In recent years the UN has monitored elections in Namibia, Nicaragua and Haiti, and the United States has lent strong backing to efforts to strengthen and institutionalize the UN's election-monitoring mechanism. The UN is undertaking very ambitious efforts to conduct elections in the Western Sahara and Cambodia. Why not the Middle East?

As a supplement to the strenuous efforts of US Secretary of State James Baker III, should the United States lend its support to the creation of a forum for multilateral discussions and negotiations between Middle Eastern states? There is strong European support for creating a Middle East forum modeled loosely on the Conference on Security and Cooperation in Europe (CSCE), which came to life in Helsinki in 1975. The prospect of Arabs, Iranians and Israelis, and maybe Turks, sitting at the same table seems farfetched, but the plausibility of the idea deserves to be tested, not dismissed. Naturally, any attempt to blindly emulate the CSCE would be doomed to failure. The merits of the CSCE model are its comprehensiveness, its creative ambiguity and its flexible structure. It is the spirit and the structural innovations of CSCE which deserve emulation, not the precise form.

The essence of successful negotiations is the building of confidence among the belligerents, and movement on peripheral but important issues provides something to build upon. Initial successes would not solve the big issues--the delineation of borders, the granting of independence to a people or adjudication of rival claims to scarce resources--but the big issues will elude resolution unless the states of the region can leave behind their insecurity and distrust of others.

The suggestion here is that the Gulf could be the context for launching the dialogue, perhaps beginning with Arab and Iranian participation. Addressing issues likely to succumb to more-or-less prompt resolution could create a momentum of success for tackling tougher problems. While Middle East governments have a tendency to view all issues as matters of high politics, there may well be enough overlap of interests on certain key issues--like water, environmental pollution and economic development--to initiate serious discussions. A very significant dividend of this type of forum is that it would provide scope for the enlivening of civil society in the form of professional associations, issue-oriented non-government groups and individual activists.

The underdevelopment of civil society in the Middle East is a measure of government repression and efforts to emasculate associational life. (It is, incidentally, the skewed underdevelopment of civil society which has given rise to activist Islamist groups, which spring from a milieu relatively immune to the stifling control of government.) If it is in the enlightened self-interest of Western governments to promote liberalization in Middle East societies, it follows naturally that the promotion of civil society is pragmatically an apt route to follow. The creation of a multilateral forum in which both government and non-government actors have a role to play is eminently realistic.

The approach proffered here is initially one of envelopment, rather than tackling the core problems like the Arab-Israeli conflict or the question of Palestine head-on. The framework proposed here, however, may be the terminal where the parties meet at the end of their long journey of peacemaking. This proposal is not intended as a competitor for

US-mediated, direct bilateral talks but as a Gulf-centered complement. Nor would the proposed forum be a peace conference per se but rather a mechanism for identifying and pursuing common interests among the states of the Gulf. It would only be a modest beginning, but a beginning nonetheless.

The Effects of the Gulf War on Arab Politics

by

Tareq Y. Ismael
University of Calgary
and
Jacqueline A. Ismael
University of Calgary

The effects of the Gulf War on Arab politics may be represented in one concept: chaos. The popular notion of chaos as catastrophic disorganization and unpredictable change driven by random forces is encapsulated in the scientific theory of chaos as sensitive dependence on initial conditions.¹ It is a situation in which past patterns offer little predictive insight into future trends. In conditions of chaos, minor changes in initial conditions--the kinds of fluctuations considered marginal and inconsequential, and rounded off in calibrations--assume a disproportionate influence over events, unexpectedly displacing established patterns and driving systems in unpredictable directions.

It is the conditions of chaos that will, indeed, reflect the emerging state of affairs in Arab politics. In other words, the political situation is volatile and unpredictable. In systems terminology, small fluctuations in input will produce large and turbulent changes in output, driving Arab politics in unexpected directions. In chaos theory this is called the butterfly effect.

In this situation, policy at all levels--international, regional, and local--will be increasingly reactive to emerging situations; like fire fighters battling a blaze in a windstorm, each spark has the potential to ignite new situations. This is already happening and is reflected in US policy in the transition from the proactive strategy of Operation Desert Shield, to the pragmatic response of Operation Provide Comfort to the reactive strategy of Operation Gallant Provider. It can be similarly demonstrated at any level that the policies of political actors are increasingly reactive--stamping out campfires as it were, only to produce more sparks.

The main effect of the Gulf War is the destabilization of the Arab political system, moving it to a state of chaos. The system that evolved in the aftermath of the two world wars had three fundamental structural foundations that affected the dynamics of Arab politics during the twentieth century:

-- The state system. The states set up in the Middle East by political settlements among allied victors after the world wars were, at best, very fragile in regard to legitimacy and authority in their own constituencies. This was because the Middle Eastern state

¹ Chaos, conceived of as a science of process rather than a state, has been elaborated upon primarily in mathematics and physics, but is also being applied broadly in the physical sciences. See Ilya Prigogine, From Being to Becoming: Time and Complexity in the Physical Sciences (New York: W.H. Freeman & Co., 1980).

region's peoples.

-- Inequality. The states set up in the post-Ottoman era invested anti-Ottoman intellectual and economic elites with political authority which was mediated by external powers. The emergence of oil-rich states in the second half of the century intensified inequalities within and between states. There emerged huge concentrations of wealth in sparsely populated states that were, and still are, essentially the private domain of tribally constituted ruling families protected by Western powers. In contrast, there existed comparatively large concentrations of populations economically disenfranchised by unemployment--and in the case of Palestinians, politically disenfranchised as well--in states essentially mortgaged to Western financial institutions by unstable regimes protected by elaborate security and military establishments. Patterns of employment and labor migration reflect the increasing disarticulation between the region's political economy and the state system in the post-World War II period.

-- Dependency. The political elites of the post-Ottoman Middle East achieved political power through overt and covert cooperation with Western powers in the dismantling of the Ottoman Empire. Economically dependent on Western aid to finance their regimes, and strategically dependent on Western technology to modernize them, these elites tied regional political development to the global economy of the industrial world.

The impact of these instabilities on Arab political development produced antagonism between Arab politics--the process of interest articulation and aggregation--and the political culture of Arab society--the process of value determination and articulation. The antagonism between politics and popular political culture has several dimensions:

1. Given that the contemporary Arab state system was essentially culturally alien to Arab society, Arab political actors sought cultural legitimacy to institutionalize Arab politics. Thus, the discourse of Arab politics revolved around the symbols of Arab culture: history, religion, language, customs and traditions. The state, however, increasingly came to rely upon the instruments of social control to impose its authority on society. As a result, the praxis of Arab politics revolved around the symbols of political power--control of state military and security establishments.

2. Because of the state's dominance of the modern instruments of cultural articulation, in the internal political sphere, modern avenues for the expression of popular political culture were cut off. As a result, the development of popular political culture has been distorted, confined to traditional religious channels and modes of articulation. By the 1980s Islamic revivalism was the dominant manifestation of popular political culture in the internal political sphere throughout the Arab world. In addition, because of state suppression of political dissension, active political opposition, mediated through popular political culture, is channelled into Islamic revivalism and manifested as Islamic activism.

In spite of its underlying instabilities, the Arab political system proved sufficiently viable to sustain itself through the post-war era, autonomously adapting to the turbulence produced by international, regional, and local conflicts. The major impact of the Gulf War is the destruction of the dynamic between political discourse and political praxis and, with it, the destruction of the Arab state system's ability to sustain itself autonomously. Under these circumstances, it can be postulated that the Arab state system will be marked by a sensitive dependence on initial conditions, with random turbulence unfolding spontaneously along predictable trajectories. The amount of turbulence in the Arab state system emanating from the structural instabilities will increase, manifesting itself as conflicts

between rich and poor states in the alliance, and between states that participated in the alliance and those that did not. The containment of such conflict will rely on external interference, in effect producing more turbulence in the system.

The turbulence in Arab politics will also cause increased friction between Arab and non-Arab states in the region. The effort to contain conflict will, again, result in external involvement, in effect producing more turbulence in the region. Turbulence will also result in increased friction between Middle Eastern states and the external actors involved in regional political issues. Incompatible demands from different regional constituencies will result in turbulence between regional actors and external allies. The containment of conflict from this source will rely on international mediation, in effect producing turbulence in international relations.

Forces of Social and Political Change in the Gulf

by

Kiren Aziz Chaudry
University of California, Berkeley

Though politically divided along myriad dimensions, the economies of the oil and labor exporters of the Arab world were intimately entwined during the "boom years" of the 1970s and early 1980s. The dependence of labor exporters on aid and remittances from the oil-rich states affected fundamental domestic institutions and shaped the contours of their social and political systems.

Iraq's invasion of Kuwait, and the positions taken by most states in the Gulf conflict, were determined by their perceived economic interests. While Syrian support of the "allies" can be explained on a number of grounds, the Egyptian, Jordanian, Sudanese and Yemeni positions stemmed directly from calculations to halt further economic crises in their domestic economies. Failure to recognize the basic interdependence of oil and labor export in the region will set the stage for future instability.

Economics to Politics: Pan-Arabism and Islamic "Fundamentalism"

During the 1970s and 1980s boom years, aid and labor remittances and loans and investments preserved the political status quo, leading some observers to conclude that transnational claims to resources and allegiance--pan-Arabism--was dead. In fact, the boom decade marked a departure from the more representative pattern of the 1950s, 1960s and late-1980s. The post-1967 Arab order that quelled Nasirism was given stable form only after 1973, when oil revenues became available to lubricate political accommodations between republicans and the monarchs. For a variety of reasons, the reconstruction of Arab relations after the Gulf War will be different.

First, "Riyal politik" is no longer an option except as a tonic for the political problems immediately related to the war. Demands for democratization and fiscal accountability assure that the domestic distributive needs of the Gulf Cooperation Council (GCC) countries will grow, outstripping oil revenues. Saudi Arabia is borrowing internationally, and the GCC's shrinking surpluses will be channeled, either directly or through international financial institutions, to meet the credit needs of Kuwait. Saudi Arabia will not cut its domestic distributive programs; agricultural subsidies were just raised again.

In conjunction with the global credit shortage, this will result in further cuts in bilateral aid to Egypt, Jordan, Sudan and Yemen and a continuing fiscal crisis which will require draconian measures to control. Meanwhile, revenge against the neediest--the Yemenis, Jordanians and Palestinians--through discrimination in the regional labor market, is cutting the major source of foreign exchange for these peoples. The Egyptian government will most likely gain concessions on Egyptian imported labor quotas, but there is a strong preference in the Gulf states for contract labor tied to specific projects, a growing reluctance for the free import of labor for domestic markets and an even stronger preference for non-Arab mercenary forces.

Not only are there insufficient financial resources in the Middle East, but the global credit crunch and the growing fiscal austerity in the United States assure that there will be no quick solutions in sight for the economic crisis of the region. While there is an urgent need to pressure the Saudis to lead in the formation of financial institutions to help its poorer neighbors, the present GCC proposal to establish an aid fund with a capital of \$10 billion will not stem the economic crisis, particularly since the neediest are likely to be excluded. In economic terms, the new alignment will bring together Iraq, Jordan, Palestinians, Sudan and Yemen on the one hand, and Egypt, the Gulf shaykhdoms and Saudi Arabia on the other.

Whether or not Iraqi president Saddam Hussein survives, this basic alignment will find political expression in pan-Arab nationalist terms. Saudi Arabia has made clear its intention to ostracize Yemen and Jordan, two countries that have recently held democratic elections. There are rumors that the Saudis have commenced rearming the northern Yemeni tribes, building on their unhappiness with the unification of the Yemens. Jordan's position during the war and the Saudi leadership's pathological fear of democratic countries on its borders guarantee that Jordanian labor will be discriminated against. The perception that the Saudis, with their US protectors, are upholding an unjust economic order will be strengthened.

Thus, while one can expect Arab leaders to continue, as before, to stress the Palestinian-Israeli issue as a means of deflecting attention from domestic problems, the alternative discourse of Islamism and autarky has made and can be expected to make further gains in the Arab world. The services provided by Islamic groups are crucial, as is the fact that they appear to articulate the only vision that softens the hardship of abject poverty with a measure of dignity. Who, among the current Arabs leaders, can do as much?

Saudi Arabia: At Home and in the Region

Since the end of the Iran-Iraq War, the United States has been priming Saudi Arabia to assume the leadership of the Arab world. The fantasy of a "friendly," "moderate," Saudi-led Arab world, however, is just that. First, domestic support for such a role is lacking. In the wake of the war, for the first time, nationalism has surfaced in Saudi Arabia and has taken the form of ugly economic chauvinism, the main prescription of which is regional isolationism. Even the most "pan-Arab" Saudis have now concluded that they are willing to sacrifice all autonomy, and even mild involvement in the Arab world, to preserve their wealth, even if this means overtly becoming clients of the United States. Such a relationship places little burden on domestic legitimacy, which has never had much ideological content and rests, instead, on internal law and order and the distribution of oil wealth. Still, the unwillingness of the Saudis to bankroll economic development in the region and their inability to articulate a forceful vision of the Arab world with themselves at center stage, will generate challenges to Saudi regional ascendancy which it may not be able to meet depending upon the outcome of key domestic conflicts.

As a result of the war, a clear split that runs through the top echelons of the royal family and the military became evident, reflecting divergent views about the terms of the relationship between the United States and Saudi Arabia. If, as anticipated, the Royal Guard is either weakened or eliminated with the consolidation of the national army, Crown Prince Abdullah's independent power base will be further weakened. One indubitable

effect of the war has been the political rise of the modern army to match its long-standing budgetary lead.

This may not imply fundamental disagreement about if and how Saudi Arabia should assume the leadership of the Arab world. Statements by Defense Minister Sultan bin Abd al-Aziz before and during the war suggest that he holds a radically different approach than King Fahd to inter-Arab conflict and Saudi Arabia's regional role. In Sultan's picture, the Saudis manage to cobble together some version of pan-Arabism--pan-Islamism and distance themselves from the United States, at least publicly bringing the kingdom back into the Arab arena. The Saudis reinsert themselves into the Arab-Israeli conflict by creating an alternative to the Palestine Liberation Organization through funding. In Fahd's view, the kingdom goes back to its pre-crisis, non-confrontational and cautious role.

In May and June 1991 King Fahd announced repeatedly his intention to convene a majlis al-shura. This promise, like others, is expected to be quietly shelved. Even if a majlis stays on the agenda, it is highly unlikely that its members would be chosen in a popular election. The simple logistics of preparing the country for an election would take years, and the process of deciding who could compete and on what terms would rip the society's fragile fabric. Thus a majlis would take two possible forms: the occupational and social group model of Yemen, where each corporate group either nominates for selection or elects a representative (which would include everything from students to business representatives); or, a simple appointment of important players in business, the ulama and bureaucrats, with a sprinkling of tribal notables. Either form would hardly be representative in any real sense. The much advertised "liberal opening" in Saudi Arabia, signaled by women driving and a couple of meetings of the Riyadh Chamber of Commerce, was completely undercut by the conservative Islamic reaction that followed. It is the Islamic groups that will determine the outcome of problems in the political arena.

Markets and Democracy

Transitions to market economies are disruptive and politically destabilizing, and it is a myth that these transitions either stem from or lead to more democracy in the short term. In the Middle East, attempts at market reform are a direct response to the severing of international and regional capital transfers, the end of aid flows from the East and the West and the debt crisis. In fact, economic liberalization was quickest in Iraq precisely because it was the least democratic of the cases under review. The 1991 riots in Algeria and the postponement of elections are only a sneak preview of what is to come and illustrates the extent to which liberalization can undercut democratic reform in countries racked by economic crises.

In practical terms, "liberalization" has simply meant the withdrawal of state services and heightened inequality, both of which have created sympathy for Islamic movements. Further, since the withdrawal of state services takes place under the rubric of "market reform" supported by the International Monetary Fund, the International Bank for Reconstruction and Development and the United States, the problems created by economic liberalization policies will be placed squarely at the door of the West and will be connected to discontent with the gap between rich and poor in the region.

This brings us to the underlying tensions between the Bush administration's

rhetorical support of democracy on the one hand, and, on the other, a vision of the world that is, at its core, defined by the psychology of the Cold War. The key component of this vision is that through various kinds of short-term manipulations, highly specific policy outcomes can be achieved in the Third World. Policy toward Iraq is an example. Allowing the regime in Baghdad to consolidate power after the Kurdish and Shi'i uprising showed that not just any democracy was acceptable--particularly not one that would give any say to Shi'i Islamists. Saddam Hussein's survival after his army's crushing defeat was no accident. The current policy of keeping the sanctions in place to affect a specific kind of coup with a specific outcome typifies the US administration's use of blunt and crude methods to achieve fine-tuned policy goals.

Conclusion

During the Cold War both East and West sold weapons to "friends" they could barely acknowledge in public. This basic fact, and the resulting disequilibrium in the force that the state and social groups are able to bring to bear on domestic politics, account for the brutal dictatorships in the region. Apart from the humanitarian aim of at least freezing the dramatic gap between the coercive apparatus of the state and the means available to citizens, it is directly in conflict with US interests to continue to arm states in the region, including Israel. With Iraq in a shambles, and a US base in Kuwait, who in the world are Syria and Egypt arming themselves against?

The United States should abandon its irrational fear of Arab nationalism and Islamism. As the reality of the Gulf War festers and continues to take shape, there will be a backlash that closely reflects divergent economic interests in the region. Regardless of what form this takes, the United States should work with it, not against it.

As the Kuwaiti opposition has recognized repeatedly and publicly, the labor exporters of the region had legitimate grievances, as did Iraq. The Bush administration knows this, the Saudis know it, the proverbial "Arab street" knows it. Rather than papering over these problems with slogans of democracy and capitalism, it is time to encourage the Arab world to craft viable regional institutions that can address these pressing economic and social issues and resolve the remaining border disputes in an equitable manner.

The Future of US Policy in the Gulf

by

Charles F. Doran

The Paul H. Nitze School of Advanced International Study
The Johns Hopkins University

Interim security in the Gulf, both military and energy-related, is for the present assured. Following its confrontation with the US-led political and military coalition, Iraq was left with a battered military, a desolated oil production capability, a human health catastrophe of potentially massive proportions and the huge task of reconstruction. On the other hand, Iraq has enormous oil reserves which can generate enough capital over the long run to meet the needs of Iraqi society and the government--the tragic irony of the mistaken decisions of the Saddam Hussein government. Never in recent history has a government so wasted its splendid natural resources. Once the United Nations (UN) sanctions against Iraq are lifted, Baghdad will rebuild its economic, industrial and military base, and, in five years, may again pose a credible military and political challenge to its neighbors. It may also have an operational, if primitive, nuclear weapons potential.

Secure Western access to energy for the present is probable. The war removed about five million barrels of oil a day from world production, but prices returned to prewar levels because the Organization of Petroleum Exporting Countries (OPEC) and the world community found enough surplus production capability to meet demand. Despite occasional short-term tightness of supply because of distributional shortfalls, the oil industry should have no trouble meeting world demand during the next five-year period, as long as it can produce enough to cover the 5 million barrel Iraq-Kuwait gap. Oil should be in abundant supply given plans to expand productive capacity in Saudi Arabia, Iran and elsewhere, the eventual restoration of productive capability in Iraq and Kuwait and the current sluggish demand for energy in general (a situation that will begin to change by the middle of the decade as economic growth takes effect). The challenge for OPEC during the next five or so years will be to maintain price stability in the face of a production glut. Of course if this situation discourages new surplus production capacity and encourages wasteful energy practices, the world could find itself in a tight energy situation before the end of this decade.

Military Presence, Coalition-Building, and Arms Control

In contrast to its post-Iran-Iraq War posture, the United States should not remove its forces so quickly and so thoroughly from the Gulf that its capacity to deter aggression from whatever direction will be undercut. Aircraft based in the Mediterranean Sea and the Indian Ocean, as well as in Turkey, Diego Garcia, Bahrain or Saudi Arabia ought to provide a sufficient deterrent capability. The repositioning of such forces, as well as the US involvement in the Turkey-based "strike force" to protect Iraq's Kurdish population, is an indication of the United States' resolve to deter future Iraqi aggression. Financial costs for this operation could be high, but set against the cost of the last war, or worse, the loss of access to oil at market prices, these costs are bearable if shared.

By following this policy, the United States nonetheless runs one major risk: its local allies' eagerness to let "Uncle Sam do it." This situation could make US allies in the Gulf totally dependent upon it for their security, even though it has neither the financial capability nor the domestic political stamina to carry out these responsibilities in an open-ended fashion. Washington should use "carrot and stick" diplomacy to forge a local coalition capable of carrying its proportional share of the burden.

One positive result of leaving Saddam Hussein in power is that his behavior should galvanize a vigilant local balance of power against Iraq. This balance ought to start with the Gulf Cooperation Council (GCC) countries--who alone cannot defend themselves against a refurbished Iraqi military--plus Egypt, Syria and either Turkey or Iran. Both of the latter two will be needed if Egypt and Syria demand too high a price for their participation. If Egypt and Syria participate, however, either Turkey or Iran but not both will be needed. This regionally self-reliant coalition has the financial resources and the military force to offset Iraq through the decade, with the exception of one scenario: that it faces a nuclear-armed Iraq. Since the war did little to squelch this threat, and since UN inspection of Iraqi nuclear facilities has scarcely met with full cooperation, the United States and its allies will face a tough decision.

The United States is convinced that Hussein will make an all-out effort to acquire deployable nuclear weapons. He will do so because he knows that if he had possessed such weapons the allies would have responded to him far more cautiously. He will offer an enormously attractive financial arrangement to China or a post-Gorbachevian Soviet Union/Russia to supply nuclear weapons or to facilitate his acquisition of the necessary production technology. Anyone who has seen the physical devastation in Kuwait should have no doubt about Hussein's willingness to use such weapons against a neighbor if the circumstances seem to him justifiable. Moreover, a Middle East with nuclear weapons in Israel and Iraq will be a Middle East on the edge of nuclear war because of the temptation to use surprise attack to eliminate a rival in a preemptive strike.

In addition to using whatever means are available to forestall Iraqi nuclear acquisition directly, the United States ought to pursue nuclear diffusion limitation talks among the suppliers, as it has already attempted, including delivery systems. The United States should attempt to get concerned actors to talk to each other, including Israel and the Soviet Union, despite the obstacles posed by issues of recognition and face-to-face negotiation. The stakes warrant the diplomatic effort.

Democracy

The US role in promoting democratic reform in other countries has been questioned in regard to the Middle East. Some analysts have asked whether Middle Easterners are capable of democratic government, while others feel the war may have hindered democratic processes in the region.

First, however arduous the path was to democracy in Eastern Europe and parts of the Soviet Union, and the hurdles should not be minimized as to size or number, democracy was a choice that came from within, once the elites and masses were allowed an opportunity to make a choice. The choice, however, was not without risk. As the Middle East becomes more literate and more wealthy in per capita terms, the evolution toward democracy is likely to become inevitable, as long as democracy remains a successful form of government offering freedoms and prosperity in the West. Democracy will by

example prevail.

Second, democracy comes in many forms and on many levels, depending on a country's political and cultural history. A type of democracy has emerged in many Middle Eastern states. Although this is not broadly acknowledged in the West, Iran probably has the most active set of democratic institutions in the Gulf area. The impatience of outside powers can easily set back the reform process in a number of countries. Revolution could well lead to more authoritarian control, not less. Democracy cannot survive in conditions of continuing political and economic instability, and, therefore, a strong middle-class is needed to facilitate a market economy and government responsiveness to its peoples' needs. The signal for reform, however, must come from within each society, abetted but not induced by external sympathy.

The natural candidate in the Gulf for a democracy is Kuwait, notwithstanding its struggle to reconstruct its society, its ambiguity regarding who is a citizen and its internal and external security problems. Its prior government has not been such a conspicuous success that it ought to stand in the way of an alternative that might promise both more efficiency and legitimacy. The place to start is with a restoration of parliamentary elections and the gradual strengthening of the elected and appointed reform-minded members of the executive. Improvement of the judiciary would not be a bad idea either. If democracy in the region is a priority for the United States, it should use its role as "co-liberator" of the country and restorer of the monarchy to encourage, not coerce, a more responsive Kuwaiti government.

Israel and the Palestinians

Peace in the Middle East is impossible without a just resolution of the Palestinian-Israeli conflict. Palestinian grievances will continue to be manipulated by Saddam Hussein or others to challenge the perceived pro-Western Arab states that stood in coalition against Iraq. The United States and the West must show progress on the Palestinian issue in order to preserve stability in the Gulf, as well as in the Middle East in general.

The United States must be prepared to seize the moment when the appropriate diplomatic constellation comes together: There must be sufficient unity in the Arab world to act, but not so much as to stifle action; sufficient coordination among the Palestinian leadership to effect agreement, but not so much as to prefer military solutions; sufficient consensus in Israel to exchange land for peace, but not so much confidence as to pretend that security in the long-term is possible without peace with the Palestinians. Global politics and the relationship with the Soviet Union are currently propitious, but for progress a US president must utilize all of his or her prestige to get the participants to the bargaining table. Israel ultimately must recognize that a short-term stalemate is no substitute for longer-term recognition within stable borders. Arab governments must be willing to accept half a loaf when the whole loaf is beyond grasp.

While Washington can make strides toward face-to-face negotiations through persistent, skillful diplomacy, a clearer idea of specific goals and the strategy to get there will shortly be required. Issues already on the table include limits to settlements on the West Bank, support for the housing of new immigrants to Israel and new leadership among the Palestinian people. It is a mistake to believe that the end-point for a settlement can emerge solely out of negotiations, either bilateral or multilateral, among the local parties,

or between the superpowers. The United States ought to sketch for itself what it deems an equitable and defensible settlement would look like. A Palestinian homeland is essential, but it must not become an irredentist base such as could unsettle Israel, Jordan or Syria in the future.

Conclusions

While many in the United States would like once again to flee from Gulf security responsibilities, such a policy would risk a return of the same type of problem experienced in 1990, if not from Iraq then from another quarter. The United States must leave enough of a naval, air and ground presence in the area to deter renewed aggression that could be even more damaging to the region's oil supply next time. The dilemma for the United States is that if it provides total security, others in the region, notably the GCC states and Egypt, will feel that they need to do very little indeed. Building a local coalition to offset locally generated aggression is essential.

Iraq will seek to acquire nuclear weaponry as well as long-range missile technology, and, having acquired the technology, Saddam Hussein will not hesitate to threaten its use to achieve foreign policy objectives or, under certain circumstances, actually use the technology in a surprise attack or reprisal. In addition to "direct" means of discouraging nuclear acquisition, the United States must rely upon arms control talks among suppliers and among the Gulf states to stabilize the arms race and bolster security. Defense cannot sustain the whole burden. Without halting arms assistance to friends in the region, discussion about arms control must proceed so as to reduce tensions in the area and facilitate positive agreements when the time is ripe.

Democracy in the region ought to be encouraged by example and incentive, starting with elections to the parliament in Kuwait, but the road to democracy is long and best begun by citizens themselves, who must establish the institutions necessary to make the resulting governmental procedures work.

No durable peace in the Gulf, nor secure borders for Israel, is possible without a favorable resolution to the Palestinian issue. Only action at the highest levels of the US government will accomplish such a goal, accompanied by the right balance of local diplomatic initiative. The global situation is now propitious, but neither resources nor local risk-taking propensity is currently very helpful. The president needs a clearer road map with a more defined strategy and terminus.

The United States and the "New World Order"

by

Charles F. Doran

The Paul H. Nitze School of Advanced International Studies
The Johns Hopkins University

In the aftermath of the Gulf War, the United States faces a new set of problems in the Gulf region. To appreciate fully the issues involved for US foreign policy conduct, the analyst must place them in the context of the deep structural changes that are transpiring globally. Gulf security is a microcosm of world security. At a time when the United States is facing huge financial deficits and ever larger domestic demands for resources, some governments are increasingly looking towards the United States to resolve their own security dilemmas through direct or indirect source commitments. Yet, at the same time, some of these governments are worried that the United States will forget about collective security responsibility and will instead embark upon unilateral security campaigns devoid of adequate consultation and coordination. The crux of the security dilemma in the Gulf is the crux of the global dilemma.

A series of four questions illuminates the rationale for the key policy recommendations posed here. Tactically, the United States ought to rely more on deterrence in the region so that it will not again get itself into a situation where its only recourse is a belated defense. Strategically, the United States must learn to work within the context of a local balance of power that has now become region-wide, from Afghanistan to Libya.

Why sketch the outline for a "new world order" now?

The most obvious answer to this question is that one of the two pillars of the mid-twentieth century international system--the Soviet Union--has collapsed. Only one Rankean Great Power remains--the United States--but this observation, however true, is also misleading and incomplete. The larger reality is that, in this particular interval of history, the overall structure of the international system is changing, and changing rapidly. Like the last decade of the nineteenth century, this last decade of the twentieth century will be a watershed. The old system is in its death throes, but a new system, with a new constellation of leading actors, a new equilibrium, and new rules of operation--its regime--has not yet been born.

The international system is in transformation. The interval of systems transformation, which may last several decades, is marked by major international political uncertainty. In the past, such intervals have also been accompanied by higher than average probability of major war. Such a risk of massive international political instability seems remote today; after all, the leading states are basking in the soft light of detente. The tension of the Cold War is gone, but new uncertainties plague statesmen, uncertainties that dwarf those experienced during the period of mature bipolarity.

Will the Soviet Union fragment, plunging the country into civil war and possibly dragging neighbors into the "abyss?" Which path is China following? Will Europe unite, and with what consequence for an emergent world balance of power? How can Japan

assume an international political role consonant with its economic power in a fashion that does not intimidate neighbors and friends?

On top of these issues stand the pressing immediate matters of world order, such as how energy security is to be preserved in the context of the opportunity for aggression. Long-bottled aggressions still exist in many places throughout the world. The current fixation of those states responsible for order-maintenance is to avoid an unravelling of world order in an interval when preoccupation with these larger, but more abstract, uncertainties erodes the capability and willingness to preserve order according to the old rules. This is why ruminations about a "new world order" have surfaced during the Gulf War and why Iraq became the fulcrum for a nascent alternative conception of world order.

How new is the new world order, and what is its composition?

Speechwriters do not fashion the outlines of complex new foreign policy, and pragmatic, action-oriented leaders do not always explicate their ideas about world order with articulate care. Two facets of the Gulf War, however, illustrate the beginnings of US government thoughts about some of the working assumptions of an interim arrangement for order-maintenance.

First, world order during the interval of systems transformation is not going to be the result of unilateral US action. Collective action on the part of a number of leading states will determine the outcome. Enforcement of world order will also carry a price tag that is collective and immediately assessed. The new world order will carry the sanction of the United Nations (UN) Security Council or it will not be implemented. Finally, its chief objective and first principle will be to stop or reverse territorial aggression where the stakes are high, even when the power in place is not great.

Second, as the decision not to crush the Iraqi army or occupy Baghdad reveals, despite the evident military capability, the principle of non-intervention in the domestic political affairs of states in volatile regions will prevail. Although the allies could have destroyed Saddam Hussein's government, they did not. They eliminated his military potential for external aggrandizement. Following a thesis of Sun Tzu, the allies gave the cornered Iraqis one option other than military defeat--an open door to Baghdad--and the Iraqi army took it. Moreover, the United States and its 17 partners did not attempt to determine the internal composition of the Iraqi government, notwithstanding their distaste for its leader. This is an important illustration of foreign policy prudence for future governments in Washington and elsewhere to contemplate.

At its core, the new world order has two principles. External aggression must be halted collectively, where the stakes are high, and non-intervention in the domestic political affairs of states, in regions where escalation of a dispute is a danger, should condition the use of force.

What are the limitations of this new effort to define world order? Will such a strategy ever work again?

Several doubts arise. Soviet cooperation in the Gulf War was essential to the conflict's outcome. Internal weakness encouraged Soviet president Mikhail Gorbachev to ignore the advice of his military and break with a traditional ally rather than risk alienating the governments in the West whose economic assistance he needed. In this case, passive

cooperation from the Soviets was sufficient, whereas active Soviet opposition probably would have doomed the military initiative against Iraq. Oil is an essential commodity, and Iraq, by its aggression, threatened traditional Organization of Petroleum Exporting Countries (OPEC) price arrangements and perhaps even the autonomy of Saudi Arabia and the UAE. Such high stakes elicited the kind of response that occurred. Aggression that was more isolated and less crucial to the West might not have met the same resolve on the part of the United States and other leading actors.

The United States and its allies had six months to get sufficient military capability in place, and had been preparing for such a military exercise for 12 years. They were aware of their marked military superiority in terms of air power and armor. Electronic aids and advantages in terms of command and control were large, and Iraq did not possess an operational nuclear weapon. All of these military factors played a decisive part in the willingness of the allies to oppose the Iraq army, touted as the fourth largest in the world. These tactical considerations, however, might be difficult to replicate in the future.

The leadership of US President George Bush and Secretary of State James Baker III was quite extraordinary, based on years of diplomatic experience and many personal contacts among heads of governments and foreign ministers around the world. In addition, the military tactics and intelligence activity of the US armed forces was remarkable. The tiny ratio of allied to Iraqi casualties was a direct result. This caliber of performance also will not easily be repeated.

Yet, despite these qualifications, the lessons learned from the Gulf War will probably extend through this last decade of the twentieth century. No potential aggressor is likely to risk challenging such an alliance in the Gulf region in the near future. Cooperation, while far from "perfection," is likely to endure for some time among the West and Arab states opposed to Iraq. Ironically, the survival of the government of Saddam Hussein facilitates (but does not ensure) this cooperation. The Gulf War bought the international system perhaps a five-year interval in which to rearrange the furniture of world order.

What is the crux of the dilemma for the United States in the Gulf?

Some writers characterize future US foreign policy, in general and likewise vis-à-vis the Gulf, in terms of "unilateralism," or in terms of "hegemonic stability." In reality, the crux of the dilemma for the United States and for the system is not a US desire for involvement. The real dilemma, on one hand, is convincing allies and others that they are the key to the future success of order-maintenance in the Gulf; pluralism and balance have always marked global security. "Free-riderism" undermines the local will to self-defense. The past Kuwaiti tendency to see the burden of defending territories and supply routes as inevitable, and largely the responsibility of outside actors, if generalized, could again be very debilitating for regional security.

On the other hand, the problem for the United States may become that of convincing reluctant elites at home, in the aftermath of general cuts in the defense budget and withdrawal of forces elsewhere in the international system, to leave sufficient capability in the Gulf area to deter possible future aggression. The United States may conclude that the maintenance of order in the Gulf is guaranteed by past actions and, in any case, is simple to replicate. Both conclusions are, however, in error, but the natural difficulties of sustaining a military presence in the area, combined with a possible growing proclivity

toward weighing other priorities more heavily, will tend to undermine the focus on Gulf security by Washington and its allies.

Thus the crux of the defense dilemma for the United States is convincing reluctant local governments to take the lead in their own defense, and, at the same time, obtain a long-term commitment at home from domestic elites for a regional presence. All of this must occur in an interval of widespread cost-saving and redefinition of interests.

Identifying the keys to US policy in the Gulf.

Western deterrence of possible aggression--initiated by either Iraq or Iran--must be the essence of future US objectives in the Gulf. Next time, defense may arrive too late or be construed as too costly for implementation. A strategy of deterrence requires a proper definition of threat and adequate intelligence information to preclude aggression when it is easiest to discourage.

Another key to US policy in the Gulf must also be to wed the interests of the Gulf Coordination Council (GCC) countries with those of a coalition involving Egypt and Syria or Jordan--despite the policies of the latter during the Kuwait occupation--and perhaps Turkey. Progress in the Arab-Israeli dispute will facilitate the formation of such a coalition and may even free some of Israel's forces for a broader commitment to regional concerns.

Apart from Saddam Hussein, the Palestinians have been the biggest losers in the aftermath of the Gulf War. They must recognize, through the prospect of some concrete gains, that only through a stable balance of power in the area can they hope to obtain a homeland and security. In the absence of the resolution of some aspects of the Palestinian question, however, this issue will be used by some in the area to disrupt the balance, and the coalition, that otherwise must guarantee the security of the Gulf in regional terms.

AUTHORS

Kiren Chaudhry - Dr. Chaudhry is assistant professor of political science at the University of California, Berkeley. She is the author of the forthcoming *Financing Fidelity in Rentier Economies: State, Commercial, and Informal Banking Systems in the Middle East*. Chaudhry received a doctorate from Harvard University.

Patrick Clawson - Dr. Clawson is editor of *Orbis* and a resident scholar at the Foreign Policy Research Institute. He is the author of *Syria's Military Build-Up and Economic Crisis, 1977-88* and numerous articles on the politics and economics of the Middle East. Clawson received a doctorate from the New School for Social Research.

Charles Doran - Dr. Doran is professor and director of the department of international relations at the Johns Hopkins University School of Advanced International Studies. He is co-editor, along with Stephen Buck, of *The Gulf, Energy, and Global Security: Political and Economic Issues*. Doran received a doctorate from the Johns Hopkins University.

Jacqueline Ismael - Dr. Ismael is professor of social welfare at the University of Calgary. She is the author of *Kuwait: Social Change in Historical Perspective* and co-author, along with Tareq Ismael, of the forthcoming *Politics and Government of the Middle East and North Africa*.

Tareq Ismael - Dr. Ismael is professor of political science at the University of Calgary. He is the author of *The International Relations of the Contemporary Middle East* and co-editor, along with Jacqueline Ismael, of the forthcoming *The Gulf War and the New World Order*. Ismael received a doctorate from the George Washington University.

Augustus Richard Norton - Dr. Norton is currently senior research fellow at the International Peace Academy and professor of political science at West Point. He is the co-author of *UN Peacekeepers: Soldiers with a Difference*. Norton received a doctorate from the University of Chicago.

Edmund O'Sullivan - Mr. O'Sullivan is editor of *Middle East Economic Digest*. Prior to joining MEED, he worked as a financial reporter for Reuter and as an economist for the British government. O'Sullivan is a graduate of the London School of Economics.

Elaine Sciolino - Ms. Sciolino is a diplomatic correspondent for US foreign policy and national security for the *New York Times*. She is the author of *Outlaw State: Saddam Hussein's Quest for Power and the Gulf Crisis*. Sciolino did her graduate studies at New York University.

Shibley Telhami - Dr. Telhami is associate professor of government at Cornell University. He is the author of *Power and Leadership in International Bargaining: The Path to the Camp David Accords*. Telhami received a doctorate from the University of California, Berkeley.

Mary Ann Tetreault - Dr. Tetreault is chair of the department of political science and geography at Old Dominion University. She is the author of *The Organization of Arab Petroleum Exporting Countries: Histories, Policies, and Prospects* and *Revolution in the World Petroleum Market*. Tetreault received a doctorate from Rice University.

HD 9576 .P52P47 1991

The Persian Gulf.../ed. Charles
Doran/ Middle East Institute

DATE DUE	
HD 9576 .P52P47 1991	
AUTHOR	
The Persian Gulf.../ed. Charles	
TITLE	
Doran/ Middle East Institute	
DATE DUE	BORROWER'S NAME

Middle East Institute
1761 N Street, N.W.
Washington, D.C. 20036
202-785-0183

The Oman Library at MEI



3 0347 0000 14061