The Persian Gulf: Challenges for a New Administration

Report of the Thirty-Seventh Strategy for Peace, US Foreign Policy Conference

Sponsored by The Stanley Foundation
October 24-26, 1996

Convened at Airlie Center
Warrenton, Virginia
Participants

Chair
Gary G. Sick, Executive Director, Gulf/2000, and Adjunct Professor of Political Science, Columbia University

Rapporteur
Jo-Anne Hart, Visiting Professor of Political Science, Barnard College

Participants
James E. Akins, Consultant, International Political and Economic Affairs

Henri Barkey, Associate Professor of International Relations, Lehigh University

Anthony H. Cordesman, Co-Director, Middle East Studies Program, and Senior Fellow, Center for Strategic and International Studies

Richard W. Cottam, Professor of Political Science Emeritus, University of Pittsburgh

Stephen C. Fairbanks, Analyst for Iran, Office of Analysis for Near East and South Asia, US Department of State; Guest Scholar, Division of International Studies, The Woodrow Wilson International Center for Scholars

Mark Gasiorowski, Associate Professor of Political Science, Louisiana State University

F. Gregory Gause III, Assistant Professor of Political Science, The University of Vermont

Jerrold D. Green, Associate Chairman, Research Staff, RAND

Richard K. Herrmann, Associate Professor of Political Science, Mershon Center, The Ohio State University

Farhad Kazemi, Professor of Political Science, New York University

Joseph A. Kechichian, Partner, K2 Associates

Geoffrey Kemp, Director, Regional Security Programs, Nixon Center for Peace and Freedom

Ellen Laipson, Special Assistant to Ambassador Albright, United States Mission to the United Nations

David L. Mack, US Ambassador (Retired); Senior Counsellor, C and O Resources

Phebe Marr, Senior Fellow, Institute for National Strategic Studies, National Defense University

Mohiaddin Messbahi, Associate Professor of International Relations, Florida International University

John H. Miller, Republican Professional Staff Member for Regional Security, Senate Committee on Armed Services

Richard W. Murphy, Senior Fellow for the Middle East, Council on Foreign Relations

Karim Pakravan, First Vice President, First Chicago NBD—Bank

Giandomenico Picco, Chairman and CEO, GDP Associates, Inc.

Jean-Francois Seznec, President, The Lafayette Group, L.L.C.

Joe Stork, Advocacy Director, Human Rights Watch/Middle East

Shibley Telhami, Associate Professor of Government, Cornell University

Thomas S. Warrick, Partner, Pierson Semmes and Bemis
Conference Organizer
David J. Doerge, Vice President, The Stanley Foundation

Stanley Foundation Staff
Mary Gray Davidson, Senior Producer, Common Ground
Carol Matthews, Conference Management Director
Susan Moore, Conference Management Associate
Keith Porter, Producer, Common Ground
Richard H. Stanley, President
Mary C. Theisen, Program Officer

Affiliations are listed for identification purposes only. Participants attended as individuals rather than as representatives of their governments or organizations.
Conference Report

The Persian Gulf: Challenges for a New Administration

Introduction
US policy in the Persian Gulf should be altered. That was a point of considerable agreement in a group of policy experts from government, business, and academia who were brought together by the Stanley Foundation on October 24-26, 1996, to consider the future of US policy in the Persian Gulf region. Some members of the group described US policy in the region as bankrupt. The main areas of focus in the discussions were an evaluation of the US role as “protector” of the gulf monarchies—the states in the Gulf Cooperation Council (GCC)—and American efforts to contain both Iran and Iraq.

The group considered the current context in the Middle East and noted several important developments and signs of turmoil, including the two bombings in Saudi Arabia where US personnel were located, the Iraqi incursion into its northern Kurdish area, the ensuing US missile attacks and extension of the southern no-fly zone, the election of Prime Minister Netanyahu in Israel which had nearly stopped the peace process with the Palestinians, and Turkey’s shift to a more “Islamist” foreign policy with Necmettin Erbakan becoming prime minister.

The rapporteur prepared this report following the conference. It contains her interpretation of the proceedings and is not merely a descriptive, chronological account. Participants neither reviewed nor approved the report. Therefore, it should not be assumed that every participant subscribes to all recommendations, observations, and conclusions.

Rapporteur Jo-Anne Hart and Chair Gary G. Sick.
The United States continues to be driven by its longstanding interests in the region: the security of Israel and guaranteed access to affordable oil. There were strong concerns in the group as to the means the United States uses to pursue these goals. Several criticisms of the policy of dual containment were voiced. The durability and wisdom of the present level of American military presence in the region was questioned and was seen by several participants as potentially undermining rather than promoting regional stability. A persistent area of concern was the link between progress in the Arab-Israeli peace process and American credibility in the Persian Gulf.

Throughout the discussions, the group debated whether political instability could endanger the longer term availability or price of oil. Some members argued that no matter what happens in the region, oil will have to be sold and market forces will restrain its price. Others believed strongly that a serious price shock with significant macroeconomic global effects could readily result from significant crises in the gulf.

The GCC States

The group recognized that the economic reality in the gulf states belies the popular myth of the bottomless wealth of the oil states. While a number of individuals in these states are extraordinarily rich, public wealth has been decreasing and is expected to continue to decrease. The eight gulf states—with 110 million people—have a combined GDP roughly equivalent to Switzerland—with seven million people—and their productivity ranks with sub-Saharan Africa. Two-thirds of the region’s income is derived from oil, which will likely remain true for the foreseeable future. The necessary structural economic reforms are often incompatible with existing political arrangements. Consequently, most of the group believed that reform was unlikely to be implemented except under extreme pressure. Many believed that a slow motion internal economic, social, and political crisis is underway in the GCC states.
The group considered various aspects of the internal challenge, especially with regard to Saudi Arabia—the most important gulf ally and the primary oil power. The ruling families in the gulf monopolize political power and do not believe it is in their interests to relinquish any but nominal fragments of control. As education and unemployment have become more common, objections to these attitudes have increased, along with calls for more accountability. The group found it difficult to gauge the extent of discontent or to assess the prevalence of “activist” attempts to bring down the system. Some critics of the system are Western-educated elites who wish to change the minds of rulers, not the rulers themselves. Thus far, only a small minority has been willing to organize around radical aims. The potential exists for this sentiment to grow and is an important component of instability in the region.

US Policy
The internal challenges to the monarchies and their lack of willingness to reform represent a problem for the American pursuit of the status quo in the gulf. The group acknowledged the US reluctance to give offense by pressing the GCC regimes for necessary internal reform. There was disagreement about how much the United States could or should do in this regard. The United States could very privately make known to the Saudi monarchy, for example, its views on the need to broaden political participation and convincingly assert that American protection cannot be assured without proper internal reform. One member suggested that a US “hands-off” approach means that an Islamic state could come to power in Saudi Arabia.

There was much discussion in the group about the challenges to the United States if the Saudi royal family were faced with an acute threat to its survival. The regime would likely expect the United States to come to its rescue. The group debated the dilemmas that the United States would face in this scenario. The Saudis hold one quarter of the world’s known oil and are a close ally. The United
The Persian Gulf discussion group.

Strategy for Peace
Strategy for Peace features four simultaneous discussion groups and informal time for participants to mix.
States has made public statements suggesting its commitment to the monarchy. However, some members of the group considered that a change in the Saudi regime need not produce a regime hostile to US interests. They also pointed to the liabilities of using American power to keep a regime in power.

There was widespread agreement that the visible US military presence in the Persian Gulf has, on balance, a negative impact on domestic politics within the GCC states and that its costs must be carefully weighed against the benefits. Recalling the two recent bombings in Saudi Arabia, it was suggested that US vulnerability must be considered in future scenarios. For example, further bombings that resulted in the deaths of more Americans could create a backlash in US domestic politics against continued deployments at present levels. In this regard, the US security role for the gulf cannot entirely be relied upon: it may not be sustainable.

**Iran**

Iran is widely regarded in the United States as an unalterably hostile and intrinsic strategic threat in the gulf. In this view, Iran is out to harm the United States at nearly any cost while the United States is wary of anything that might strengthen the enemy state. No prospect is seen for a viable dialogue with the United States or for significant internal reform of the Iranian regime.

It is also possible, however, to see Iran as a pragmatic regime moving out of revolution; devoting most of its attention to its severe economic problems; and practicing a restrained, cautious, and largely nationalistic (as opposed to “Islamic”) foreign policy. US inability to reconcile these conflicting perspectives, one participant noted, “bedevils our analysis” and stifles creative policy formulations.

The group roundly disapproved of the recent Burton-Helms sanctions against foreign investment in Iran. While insufficient to force Iran to change its external behavior, it enraged American allies.
Iran and Israel
Iran is a major focus of Israel’s attention and is perceived as a security threat. It was pointed out that 90 percent of a recent Israeli threat briefing concerned Iran. Iran is suspected of pursuing a nuclear weapons program that is of intense security concern to Israel. Not only does Iran oppose the peace process but it actively aids Israeli enemies—the Islamic radical groups Hamas (in the occupied territories) and Hezbollah (in Lebanon). The group discussed the differences between the Labor and the Likud perspectives on Iran. One member suggested that “Likud wants to use Iran to kill the peace process.” Others noted signs that Israel was moderating its public statements about Iran and was conducting indirect talks via the Germans, apparently in an effort to seek Iran’s help in freeing Israeli prisoners in Lebanon.

US-Iranian Dialogue
Much group consideration was given to whether the United States should reinvigorate an attempt to deal with Iran. What could a US policy of engagement with Iran expect to achieve? What incentives could the United States provide and could it reasonably expect to get anything of value in return? At least one participant stated that the Iranian regime is oppressive and reprehensible and the United States should not seek a rapprochement.

It was noted that Iranian President Rafsanjani is a lame duck and, therefore, not likely to permit a bold or substantial dialogue with the United States. Iranian elections are next summer and, depending on the political debate in Iran at the time and who is elected president, opportunities for an American opening may increase.

The two main issues the United States need concern itself about Iran are the regime’s terrorist activities and its potential development of weapons of mass destruction.

Some members were persuaded that some form of a “grand bargain” could be struck with Iran on these issues. The group disagreed, however, about the prospective terms of a US-Iran dialogue.
Some thought it could only address marginal issues, while others argued it could usefully engage the core issues; e.g., regional security or nuclear proliferation.

Some members of the group argued that one effect of the present US policy is to shift Iran’s perspective to the North, toward Central Asia and Russia, and to the East. Iran, it was noted, is the largest purchaser of Russian manufactured goods in the world. It was generally agreed that US allies should be permitted to play a more central role in facilitating some dialogue and influence with Iran.

**Iraq**

Iraq’s compliance with UN resolutions calling for the destruction of its unconventional weapons, imposed as a result of Iraq’s defeat by the coalition in 1991, was discussed at length. The UN team is not satisfied with Iraq’s claims that its unconventional weapons have been destroyed. It was stressed that the United Nations will need to retain significant monitoring and verification capabilities far into the future, even if the sanctions are removed. Despite the June 1996 agreement that allows the UN teams full and unrestricted access to facilities anywhere in Iraq, concern was expressed that Iraq may balk in the future, as it has in the past, in the belief that Western demands will be satisfied only with the demise of Saddam Hussein. Some members considered that Iraq may decide to eject the UN Special Commission entirely. This would inevitably precipitate a major crisis involving the use of American force.

An intriguing question was why Iraq was prepared to pay such an inordinate political and economic price to retain a handful of prohibited weaponry. It was suggested that the political utility of these weapons to intimidate Iraq’s neighbors is perhaps more significant than their limited, but still relevant, military effectiveness. Iraq may also regard its unconventional arms as an important emblem of regional leadership and a guarantee that Iraq will be taken seriously as an important regional power. These
devices may also be regarded as weapons of last resort in the event the United States should try to destroy the Iraqi regime. Finally, Iraq may have been (and perhaps still is) unduly optimistic that the Security Council consensus on maintaining the sanctions would break down. This calculation would increase Iraq’s incentive to hold out, and hold onto, its prohibited weapons.

Future Scenarios
The group considered three main scenarios for the near-term future of Iraq. One was a more substantial US commitment of resources to the overthrow of Saddam Hussein; another was to acknowledge that he will probably remain in power for at least the near term; and the third was a possible breakdown of order and the division of the country into three entities or confederal elements: a Kurdish north; a predominantly Sunni central Iraq; and a predominantly Shi’a south.

In all these cases, the news is not good. It was generally agreed that the United States lacks the necessary will or capability to force the ouster of Saddam Hussein. Some participants also felt that the second scenario was not viable since Iraq could not withstand many more years of Saddam’s tyranny. And there was group consensus that the breakup of Iraq would be extremely dangerous.

The group recommended that the United States should strongly and explicitly state that it refuses to deal with Saddam Hussein in any way while simultaneously emphasizing what benefits would accrue to Iraq once Saddam Hussein is out of power. The group strongly favored the implementation of UN Resolution 986, permitting the limited sale of Iraqi oil for food and medicine. This could not be imposed on Iraq, however, and Saddam Hussein appeared to be reluctant to accept it since it would undercut his absolute control over the allocation of food and other resources.

Regional Security Talks
Several members recommended some form of a multilateral regional security dialogue. This engendered some disagreement about who should participate and under what criteria, but many
agreed that a broad multilateral approach, including European and other major external powers, was worthy of consideration. Several participants recommended that regional security talks include Iran and Iraq in addition to the GCC states. Others argued that Iraq, at least, should not be permitted into such a dialogue while Saddam Hussein remains in power.

There was fairly wide support, though not complete, for getting all issues on the table, including the US military presence in the gulf as well as the nonproliferation of weapons of mass destruction. Some participants felt strongly that Israel would also need to be part of such discussions. It was felt that both carrots and sticks should be part of a regional dialogue and that the United States should forthrightly use its leverage where it can. One model suggested was a Helsinki Charter for the Persian Gulf.

**Conclusion**

The group’s recommendations to a new US administration centered around the deliberate pursuit of well-defined interests. With the GCC states, the United States should quietly promote responsible political and economic reform as the most effective guarantor of long-term stability, and it should be sensitive to the regional political risks of a highly visible military presence. It should resist being drawn into the role of protector of regimes that may be unpopular and unstable. It can pursue its interest in oil without insisting on an outdated status quo.

Peace between Israel and the Arab states is a critical goal that has very significant import for gulf issues and especially the legitimacy of the American role there. Without real progress toward peace, the US position is weakened.

The suggestions from the group about Iran concerned engagement. There are key conflicts of interest and policy between the United States and Iran. However, many members of the group recommended dealing with Iran rather than ignoring it, since the potential payoffs are substantial.
and the alternative of unremitting hostility is dangerous and largely futile as a strategy for changing Iran’s behavior.

Above all, the members of the group agreed that a US policy committed to the preservation of the status quo is a policy certain to fail. The countries of the Persian Gulf region, without exception, are in the process of fundamental political, social, and economic change. The United States must be flexible enough to anticipate and adapt to changing circumstances when necessary, and to help channel that change in constructive ways when possible.
About the Conference

Strategy for Peace, the Stanley Foundation’s US foreign policy conference, annually assembles a panel of experts from the public and private sectors to assess specific foreign policy issues and to recommend future direction.

At the October 1996 conference, ninety-three foreign policy professionals met at Airlie Center to recommend elements of a strategy for peace in the following areas:

1. Human Rights: Bridging the Communities
2. The Persian Gulf: Challenges for a New Administration
3. Rebuilding Russia: The Next Phase
4. Weapons of Mass Destruction: Are the Nonproliferation Regimes Falling Behind?

The work of the conference was carried out in four concurrent round-table discussions. These sessions were informal and off the record. The rapporteurs tried to convey the conclusions of the discussions and the areas of consensus and disagreement. This is the report of one discussion group.