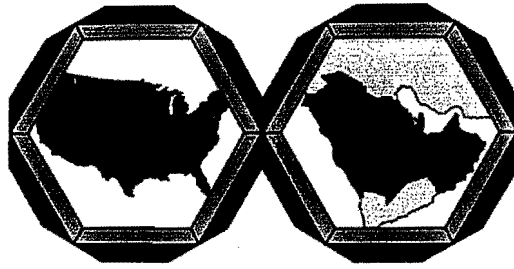


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Points, Patterns, Prognosis

The 17th GCC Heads of State

Deterrence

Iraq Summit and Aftermath: Whither the GCC?

by
John Duke Anthony

Iran

Weapons of Mass Destruction

O C C A S I O N A L

P A P E R

Petroleum

S E R I E S

Common Market

TARIFFS
Politics

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Abu Musa

Energy

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T A B L E O F C O N T E N T S

Points, Patterns, Prognosis The 17th GCC Heads of State Summit and Aftermath: Whither the GCC?

FOREWORD

by Dr. Ralph R. DiSibio

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Foreword

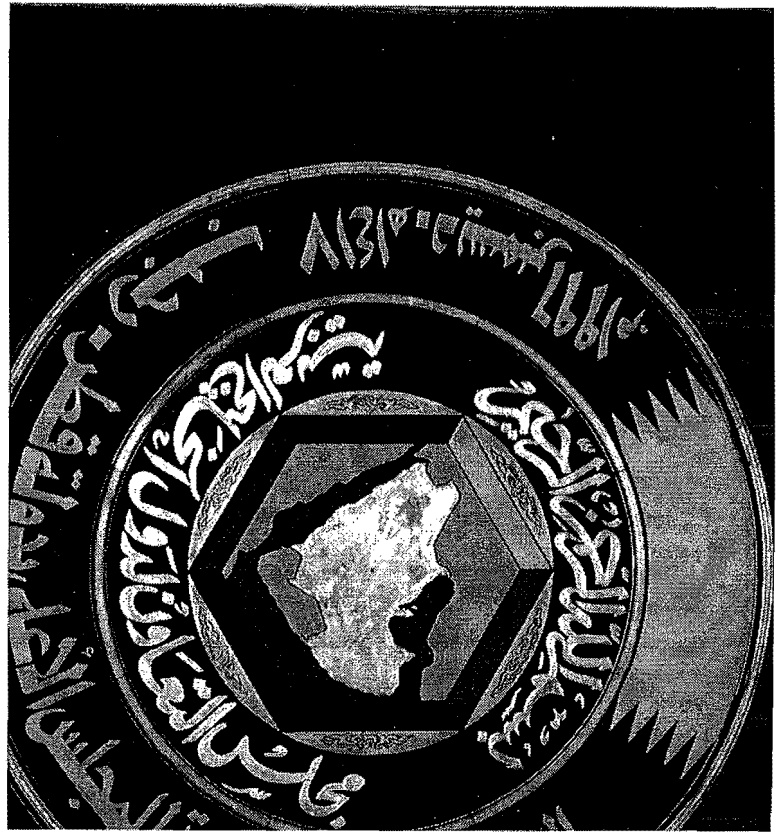
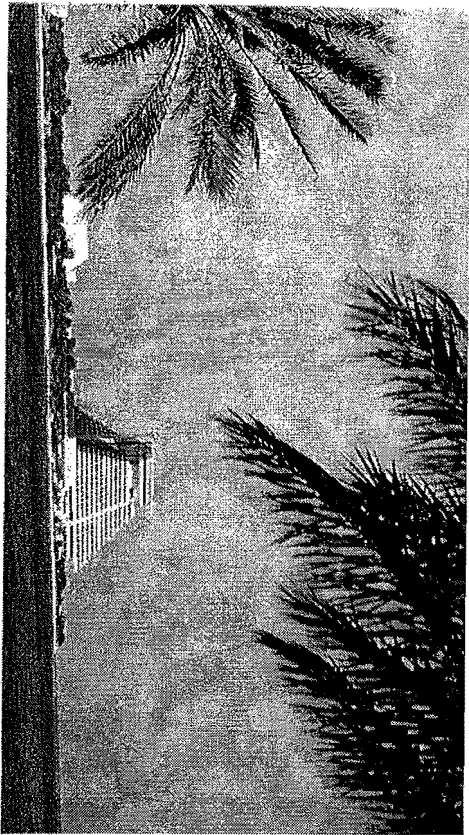
Each year, the heads of state of the six Gulf Cooperation Council countries convene for their annual summit in one of the member countries' capitals. In 1996, the 17th Heads of State Summit took place in Doha where the heads of state and members of their delegations discussed issues of mutual concern.

This report was written by the Secretary of the U.S.-GCC Corporate Cooperation Committee who attended the summit. The report addresses the summit's three primary agenda items: economics, politics, and defense. Within these three rubrics, it also provides information and analysis on specific issues which occupied the Summit's agenda, such as efforts to unify external tariffs; establishment of a common market; further necessary steps pursuant to forging a free trade agreement with the European Union; and the members' positions vis-a-vis Iraq, Iran, the Middle East peace process, weapons of mass destruction, terrorism, and their fellow Damascus Declaration countries of Egypt and Syria, among other topics.

A concluding essay attempts to provide a balance sheet of how far the GCC has come up to this point and what its prospects are for progressing further. As you will see when you read the report, the commentary and analysis are presented with the interests of a broad array of U.S. foreign affairs analysts, policymakers, and decisionmakers in mind.

This is the eighth in the U.S.-GCC Corporate Cooperation Committee's series of Occasional Papers on the role of the GCC in regional and world affairs. The Committee presents this monograph in the spirit of all its other publications, programs, and activities, as a contribution to the national dialogue on American interests and involvement in the GCC region.

Dr. Ralph DiSibio
President
Parsons Development Company
and
Chairman
U.S.-GCC Corporate Cooperation Committee



POINTS, PATTERNS, PROGNOSIS

THE 17TH GCC HEADS OF STATE SUMMIT AND AFTERWARDS: WITHER THE GCC?

by

John Duke Anthony

INTRODUCTION

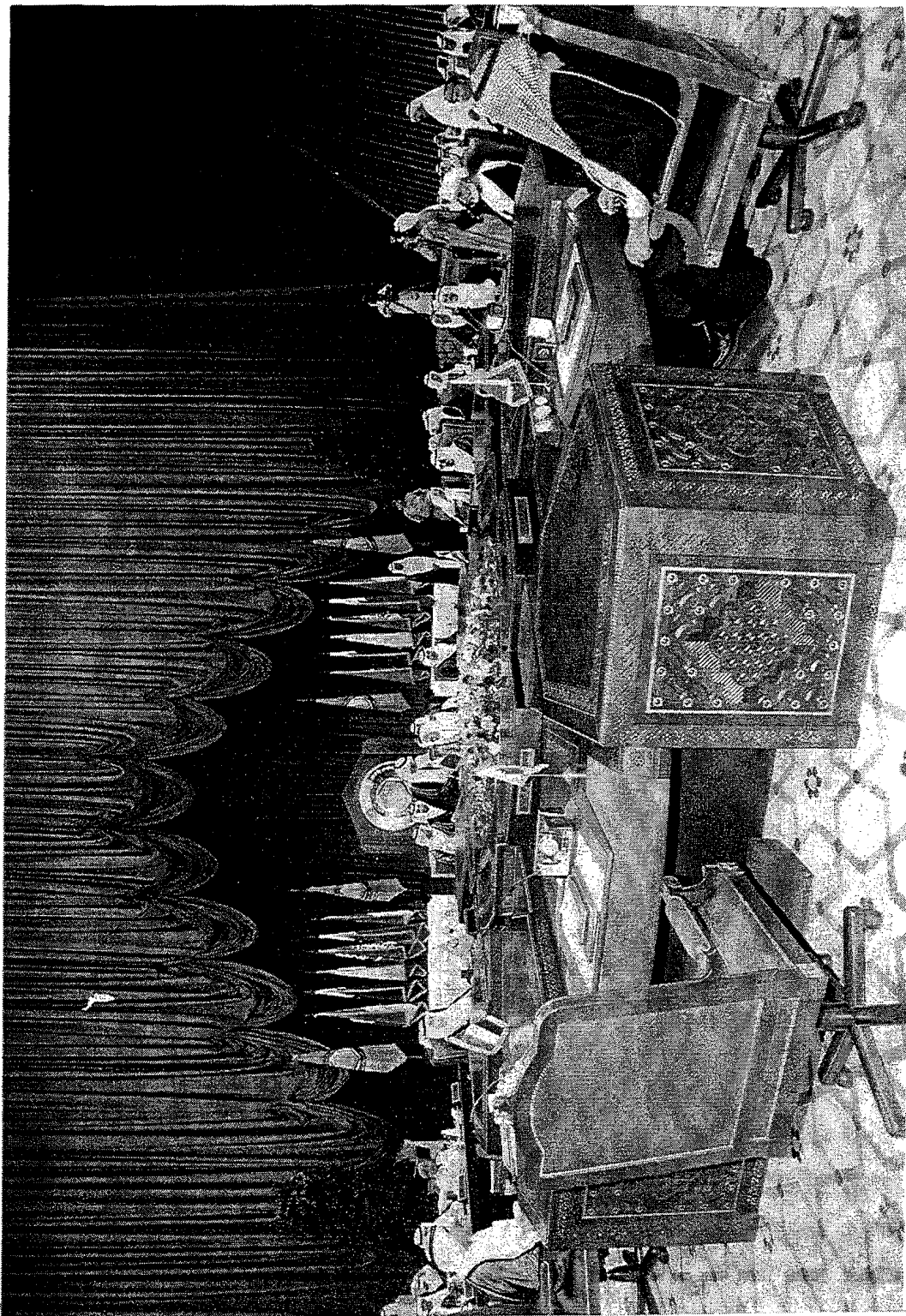
The 17th annual GCC heads of state summit convened in Doha, Qatar December 7-9, 1996. This gathering was both similar to and different from each of its predecessors. It was similar in the sense that the participants focused once again on issues of pan-GCC interest and concern. In keeping with each of the previous meetings dating from the GCC's establishment in 1981, the primary focus was on economic, political, and defense topics.

Among the most important issues deliberated were those related to the Economic Unity Agreement of 1981. Also important were ongoing concerns related to Iraq, Iran, the Middle East peace process, terrorism, and the spread of weapons of mass destruction. In addition, both within and apart from each of these categories, the summiteers considered the multifaceted implications of a series of changes -- global, regional, and national -- on the GCC region's short- and longer-term developmental prospects.

Two things differentiated this summit from all the others. One was the nearly simultaneous convening of several other regional meetings of major importance to the GCC countries. Inter-governmental meetings in Goa, Jakarta, and Singapore in which prominent international leaders addressed oil and gas, peace and justice, and international business, issues of direct interest to the member states, overlapped with the summit.

The second, more important difference was Bahrain's absence. Bahrain's decision to boycott the summit was unprecedented and was commented upon unfavorably by everyone present. All agreed that its absence was a major embarrassment.

Bahrain's reason for not attending was its long-standing and multifaceted territorial dispute with the summit host, Qatar. The dispute was not on the agenda, in keeping with GCC policy that bilateral problems between members should be solved bilaterally.



The Bahraini delegation's empty seat at the Summit.

This said, at the end of the meeting, Bahrain succeeded in getting the summiteers to agree to comprise a four-nation committee to consider the dispute -- a significant departure from GCC procedure. In a meeting in Cairo on the sidelines of the late December 1996 biannual session of the Damascus Declaration countries -- the six GCC states, plus Egypt and Syria -- Bahrain's and Qatar's foreign ministers agreed to meet in Riyadh in January in an effort to settle the dispute. On January 8 and 12, the mediation committee and the ministers did meet. As a result, the two countries' leaders agreed, as a first step, to cease their hostile media campaigns against each other.

Bahrain's absence from the summit did not, however, prevent the attendees from dealing with the business at hand. This report highlights the summit's achievements and analyzes their implications for key U.S. interests and foreign policy objectives. It also focuses on what was not accomplished. In so doing, it examines the reasons and offers a perspective on the prospects for progress in the period ahead.

The report is based on the author's observations and meetings and discussions in Doha with summit participants. The analysis is supplemented by information and insight derived from subsequent visits and meetings following the summit with officials in the GCC Secretariat in Riyadh as well as with leaders in four of the organization's six member countries.

ECONOMIC AND COMMERCIAL ISSUES

Viewed from the outside, the GCC is seen as different things by different people. To many, it is a geopolitical bloc of monarchical regimes that are keen to perpetuate their moderate-to-conservative systems of governance. To some, it is seen as being preoccupied with matters pertaining to national and regional defense as well as domestic security. To others, it represents a bold and ambitious effort to establish a customs union and an economic common market along the lines of the European Union. To still others, it is mainly a forum in which the members can air perspectives on issues of regionwide importance with a view to forging greater cooperation.

From its inception to the present, the GCC has been and remains all four of these things and more. In the words to this writer by a member of the GCC's Ministerial Council, the organization's principal policy formulating body, "At the end of the day, we are seeking to improve the security and material well-being of our people. All the efforts related to defense, all the deliberations within committees, and our meetings away from as well as at the summits are aimed at one overarching objective: to protect what we have built and to establish a stronger foundation supportive of peace, stability, and prosperity for the present and the future."

At this summit, key provisions of the GCC's 1981 Economic Unity Agreement (EUA) received greater emphasis than at any GCC heads of state meeting for quite some time. To be sure, each summit devotes extensive attention to the degree of progress achieved in implementing the EUA because it is the first and, to date, single most important of the organization's agreements. Additionally, the overwhelming majority of the Secretariat's 290-strong staff works year-round mainly on economic and economic-related issues.

The added emphasis on economic matters at this year's summit was the result of the members' decision to place such issues near the top of their agenda. That decision, and the prominent attention given by the host – venue also for the 1997 Middle East and North Africa Economic Summit – to the need to accelerate private sector participation in the member countries' development processes, reflected the members' concern with the impact of global trends on their economic interests.

A broad mix of very specific economic issues engaged the participants in this regard. These included not only the perennially vexing issues of how to unify their external customs, how to enhance the movement of goods, services, and labor within the GCC region, how to attract more foreign and local private sector investments, and how to gain greater access to the markets of their major economic partners. It also included such related issues as how to register more effective progress toward establishing a customs union and instilling a much greater sense of economic citizenship among the six states' peoples.

Economic Rights of GCC Citizens

The EUA was not intended to be an all-embracing document requiring instant implementation. It was meant to be viewed as a blueprint, as a broadly stated guideline for the direction in which the GCC's founders envisioned orienting their economies over the longer term.

Neither is the EUA focused mainly on the question of tariffs. Tariffs are but one among numerous other issues addressed, the sum of which is aimed at enhancing the members' individual and collective economic strength and promoting their prowess as an enlarged trading bloc.

Among other goals is enlargement of the base of economic involvement between and among GCC nationals. In this regard, the GCC has sought to increase the nature and number of opportunities for professionals certified in one GCC country to practice in any of the other GCC countries.

This is an area in which the GCC has achieved considerable progress. For example, as a result of a summit decision reached shortly after the 1990-1991 Kuwait Crisis, accountants, architects, dentists, doctors, engineers, and lawyers whose credentials are

validated in Kuwait are entitled to work in, say, Oman, Qatar, or elsewhere in the GCC region. In the United States, Americans in these categories have yet to win such privileges – a broad range of professionals certified in one state cannot move to another state and begin practice there without being re-certified by the appropriate authorities in that state.

A breakthrough of more tangible dimensions was reached at the GCC summit three years ago. As a result, any citizen of one GCC country is entitled to own real estate in any of the other GCC countries. As a consequence of decisions reached at other GCC summits, the citizens of any GCC country are also able to avail themselves of low-cost business loans from any of the region's agricultural, business, and industrial development funds. A key proviso, however, is that the recipient of such benefits work and live in the country which provides the loan.

There are often administrative restrictions and conditionalities in these and other measures designed to expand the categories and extent of economic rights and benefits for GCC nationals. As in the United States and practically every other country, many who seek to avail themselves of such privileges encounter obstacles at the level of implementation. In the GCC countries as elsewhere, there are bureaucrats and petty officials who guard jealously the issuance of permits and licenses. In addition, parochialism and other forms of prejudice and discrimination can come into play.

The important point, however, is that not only were such privileges non-existent a decade and a half ago when the GCC began; they were not even dreamed of as a possibility within the lifetime of those who, in the intervening fifteen years, have worked to make them a reality. Moreover, the number of GCC citizens who have availed themselves of these opportunities – currently in the few thousands – continues to grow.

Tariffs I: Intra-GCC Tariffs

Since as early as March 1983, the GCC countries eliminated intra-GCC tariffs on locally manufactured goods that have a minimum of 40% value added, provided that 51% of the company producing the item is owned by a GCC national. In thus abolishing customs completely on such locally-produced goods sold within the six-state area, the member countries have advanced significantly in the direction of becoming a more integrated trading bloc.

This compares very favorably with any other grouping of Arab countries elsewhere. In Arab North Africa, the Levant, the Nile Valley, and the Fertile Crescent, nothing remotely comparable has been achieved.

Yet, lest this assessment be seen as unduly rosy, it is important to point out what has yet to transpire. Barring further economic diversification and better market access

within the GCC, for example, the prospects for the GCC's becoming the enlarged trading bloc that its founders envisioned will remain uncertain.

Economic Challenges for the Future

In many ways, the economic future prospects for the GCC region are mixed. In general, demographic trends – the GCC countries have one of the world's highest population growth rates – coupled with growing unemployment and increasing demands is, for many policymakers, an unending challenge. There is no quick fix in sight.

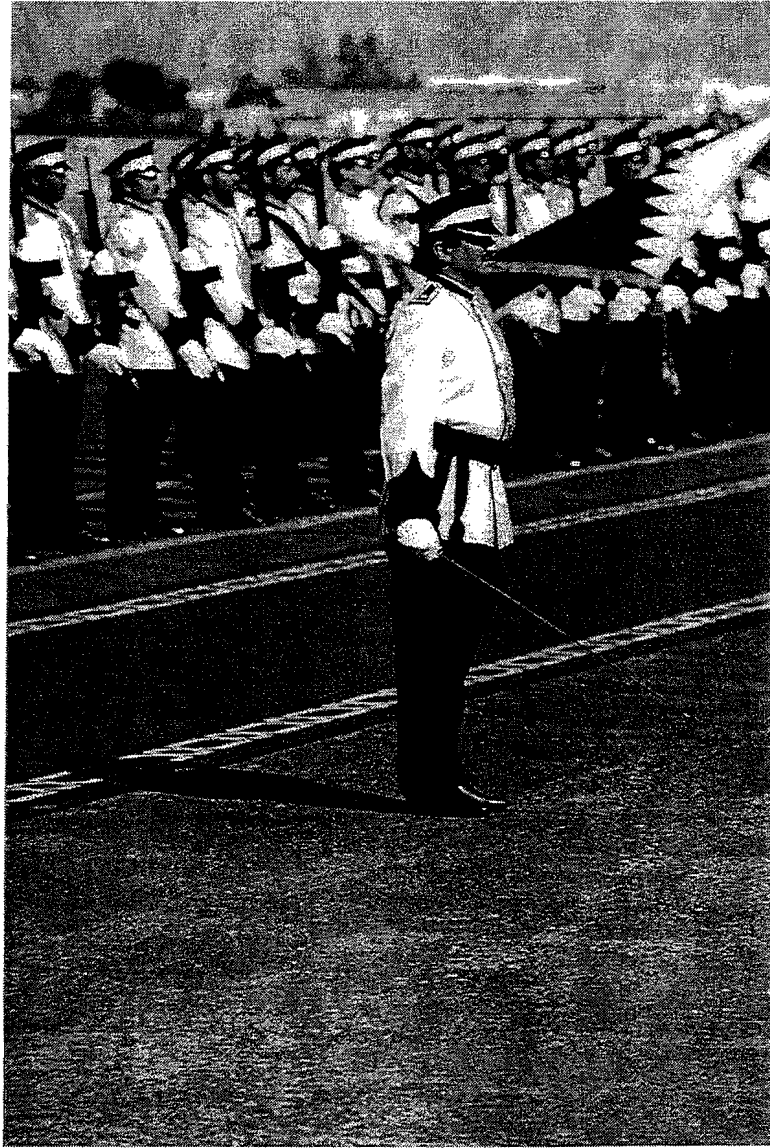
A constant constraint is the similarity of the GCC countries' economies. All six rely on oil exports for the vast majority of their national revenues. They export this oil not to each other, but rather to markets much further afield in Asia, Europe, and the Americas.

Dealing with the implications of this phenomenon for their hopes of establishing an increasingly integrated economic entity has not been easy. To the member states' policymakers and decisionmakers, it remains as daunting as any other single challenge. The GCC countries' economic, commercial, and industrial planners have worked hard to alter this reality. As a result, the level of intra-GCC commerce, starting from a low base of approximately 3% of their total external trade, has experienced a six-fold increase.

The challenge continues to receive high priority in the member countries' strategic planning. For example, increasing numbers of industrial investors are building factories in the belief that they will be able to sell their products not just to the local market but to the entire GCC region. By any standard, this ranks as progress. Yet, such investors have yet to act as a group to ensure that the numerous obstacles to their objectives – political, legal, and technical (e.g., interminable delays at border crossings, arbitrary and inconsistent application of rules and regulations, the limited efficacy of existing dispute mechanisms, and so on) – are eliminated or significantly decreased.

Thus, impressive as it may seem in the abstract, the rate and extent of progress in this area has yet to make a significant dent in the continuing acute dependence on exports of energy to the industrialized and newly industrializing nations. Even in Saudi Arabia, where industrialization exists as a major national economic strategy and more than 2,000 factories are in operation, industry's share in the Kingdom's GDP, although growing, does not exceed 13%.

Far more time, far more investment, far more economic integration, far more progress in instilling an industrial ethos among the citizenry in general, and far more headway in eliminating intra-regional and external market barriers will be required before the



The Qatar National Honor Guard receives visiting Heads of State for the GCC 17th Annual Summit.

GCC countries' industrial sectors can begin to rival the hydrocarbon sectors of their economies.

In the interim, of considerable importance to the GCC countries as an economic diversification stratagem for the present and mid-term is enhancement of their comparative advantages in two other areas. One is in international trade, serving as centers of re-export and points of distribution for countries, and indeed entire regions -- for example, East Africa and Central and South Asia -- beyond the GCC. The UAE and, to a lesser extent, Bahrain, which is also a haven for international offshore banking, have carved out such niches for their economies. Oman and Saudi Arabia also have potential in this area.

Another area is in the increasing level of exports of low-cost (for the GCC countries) gas, petrochemicals, plastics, and aluminum products to markets in Asia, Europe, and the Americas. The production of each of these items relies heavily upon ample sources of energy, of which the GCC region has the most abundant and least expensive in the world.

Forging Enduring Trade Relationships

The interests that the GCC countries seek to serve in the two areas mentioned above are not merely mercantile. Imbedded in their quest for economic diversification and foreign market penetration is an additional objective. It is to place their relationships with all of their major economic and trading partners on a firmer and more equitable foundation.

Various stratagems have been advanced in support of this initiative. A theme common to each is an agreement of some kind. As one of the seniormost GCC officials involved in such matters told me with regard to the GCC countries and the U.S., "In the event of a crisis, in a moment of isolationist frenzy, in some setting where anti-Arab jingoism is running unchecked, we have nothing firm on which to rely in order to protect our interests."

"Canada, Israel, Mexico, and America's European partners," he continued, "would be able to wave before a bellicose Congress a treaty, a special agreement, something written that says very forcefully and clearly: 'this relationship is special; it must not be harmed.' We seek something similar. Our national interests -- and we would argue, America's national interests, too -- need such an agreement."

Notwithstanding the existence of GCC-U.S. official dialogues, high-level meetings, and special working groups since 1985, no GCC-U.S. agreement of any real significance exists. In contrast, the GCC and the European Union (EU) have had an economic agreement since 1987. The core of the agreement is centered in the GCC's and the EU's industrial relationship. In the intervening decade since the initial agreement was

signed, there have been more than half a dozen meetings of the GCC countries' and the EU members' ministries of finance, economy, and industry. The next meeting is scheduled for February 1997 in Brussels.

The state of play between GCC leaders in this sector and their counterparts in the United States stands out in marked contrast. To date, there has not been a single official working meeting of comparable import between American officials responsible for the future of industry in the U.S. and those who are responsible for industrial policies in the GCC countries.

This is not to imply that the meetings between GCC and EU ministries of industries have led to breakthroughs of a kind that have significantly augmented their respective economic clout, either globally or regionally. Not yet. Some would add, "and not likely in the immediately foreseeable future." The reasons are illustrative of just how far the GCC countries have yet to go before attaining the aforementioned objective with their major economic and commercial partners.

Tariffs II: External Tariffs

Among international corporate leaders and investors interested in conducting business in the region, no single issue elicits as much confusion and misunderstanding as the GCC's elusive quest to adopt a unified system of tariffs vis-à-vis the outside world. This section seeks to clarify what the GCC countries have achieved thus far and the challenges that remain with respect to this issue.

The GCC, in dealing with the tariffs question, has not been operating within a vacuum. It has been working within the context of an internationally accepted code which recognizes that some 1,285 different kinds of commodities are traded among nations. Japan, the United Kingdom, and the United States are so advanced and diversified that they produce almost all of these commodities.

By contrast, the GCC countries produce for export only *six* of these commodities: crude oil, refined crude oil products, liquefied petroleum gas, liquefied natural gas, petrochemicals (e.g., butane, ethane, methane, polyethylene, propane, styrene, etc.), plastics (and styrofoam), and aluminum.

This is a large part of the challenge.

To date, the GCC's and EU's approaches to resolving the matter remain far apart. The EU continues to try to persuade the GCC countries first to unify their external tariffs. Once this occurs, the EU says it will be prepared to negotiate a free trade agreement with the GCC. Such an agreement would allow duty-free into GCC markets the overwhelming majority of more than a thousand items manufactured in Europe in exchange for European countries allowing duty-free into their economies no more than

half a dozen commodities exported by the GCC states. At face value, an accord of this kind, from the GCC's perspective, stands no chance of being concluded. Based on this analysis, the likelihood of the two parties reaching a free trade agreement in the near future is close to zero.

If so, what, if anything, might happen in its stead? In asking this question of those who work the issue on an ongoing basis, the short answer given this writer has varied from "nothing" to "not very much unless and until we can find a better way to negotiate something that both sides will view as mutually beneficial."

One "better way" might result from approaching the challenge from a different perspective. For example, both sides could agree to de-emphasize the current immense imbalance in numbers and kinds of goods traded between them. Instead, they could opt to emphasize the respective net benefits to be derived from such regulated commerce between the GCC and the EU. That is, an agreement on a rough equivalency – or mutually acceptable level of proportionality – might be possible.

In such an arrangement, the monetary value of the GCC countries' half dozen categories of exports to the EU would approximate a mutually acceptable level – for example, an agreed fraction or percentage – of value in relationship to the EU's thousand-plus categories of exports to the GCC region. If an arrangement along these lines could be reached, then, to paraphrase former U.S. Secretary of the Treasury George Shultz, the macro and many of the micro economic boats on both sides should thereby be able to rise and sail much more effectively upon a significantly heightened and becalmed sea. The GCC's and EU's respective gross national products would stand to derive enormous economic benefit.

Short of such an arrangement being forged between them, a more nuanced analysis of the present prospects for further movement toward an agreement would take into consideration the following. Regarding petrochemicals, the Netherlands in particular, but also Germany and the UK, are likely to continue to wage effective protectionist campaigns in support of their aging and ailing chemical industries, shielding them from more price-competitive imports from the GCC countries. The latter's petrochemical products are cheaper, more bountiful, and far more cost effective to produce and transport to markets in the EU countries and elsewhere.

The GCC countries' petrochemicals, if allowed to enter EU markets duty-free, would kill the European competition. This is why EU countries' tariffs on GCC petrochemicals range from 8% (up to an agreed level) to 13% for anything beyond the agreed level.

Despite the complexity of the issue and the distance yet to be covered, the GCC and the EU have set for themselves a two-year limit within which they intend to reach an agreement. In the interim, notwithstanding the deadline's nearness, this writer discerns a palpable lack of urgency on the part of key leaders within the GCC countries. For

example, an important cabinet minister in one member state who has dealt with this issue since its inception told me that, "Even with the EU countries' tariffs, our costs of production and shipment are so low that we are still making billions of dollars in profits. We therefore don't need a free trade agreement with them. Not only would we be unable to reciprocate, and crazy if we could and did, but we are making an extraordinary amount of money without an agreement. Our petrochemical enterprises are by far the most profitable of any in the world."

Another official told me, "It is all very well for the Americans and Europeans to champion the virtues of free trade, open markets, and allowing the entrepreneurial spirit to operate with a minimum of regulation. But who's fooling whom here? Europe's and America's hands are not clean in this matter. Whether it's crude oil, refined petroleum products, liquefied natural gas, petrochemicals, plastics, or aluminum, neither market would allow us to export duty-free. If they would, they would lose. We're not naive. We understand."

The same can be said of aluminum. Bahrain and the UAE (and soon Saudi Arabia) export aluminum products. The president of a company in one of the GCC countries that plans to produce aluminum products for export told me, "Of course, we would like nothing more than to be able to export our products into the EU market either duty-free or with the lowest possible tariff. But France insists that the EU retain a high protectionist barrier in this area."

Another high-ranking official who advises the member states on tariffs analyzed the challenge differently. He told me that, "Those of us who deal with such matters realize the possible pitfalls of accepting at face value the EU's insistence that we unify our tariffs pursuant to negotiating an EU-GCC free trade agreement. Many of us are of two minds on the matter. On one hand, we see advantages in the EU's insistence that we unify our external tariffs as a means of helping us to reach an agreement among ourselves that might not otherwise be possible."

He continued, "We believe that such an agreement, if and when we conclude one, is bound to strengthen our economies over the long term, both collectively and individually. We also believe that the levels of local and foreign investment, advanced technology, and standards of living will increase as a result, as will the overall economic health of the GCC region as a whole. On the other hand, we see the dangers."

The "dangers" could begin to "kick in" at the end of a ten-year transitional period if the two sides sign a free trade agreement. During the transitional period, the EU is insisting that the GCC extend special consideration to a category of so-called "sensitive products" for which the EU presently administers a system of tariff protection or levies and other excise taxes against imports from the GCC and other countries. These "sensitive products" include crude oil, refined products, liquefied natural gas, liquefied



Outgoing GCC Ministerial Council Chairman H.E. Yousef Alawi Al-Abdallah, Minister of State for Foreign Affairs, Sultanate of Oman.

petroleum gas, petrochemicals, plastics, and aluminum, i.e., the very products that the GCC countries export.

So why do the GCC and the EU continue to go through the motions of negotiating what, at least up to this point, remains unnegotiable?

“We do it,” said one official, “because it is in our and their interests to do so. We need them; they need us. Up until now, we haven’t had any trade with the EU as such, anymore than the U.S. conducts business with the Organization of American States. Although, technically speaking, the amount of EU-GCC trade is zero, the total volume of business we have with all the EU countries is *twice* the level of trade we have with the U.S.”

He continued, “We do it also because each time we meet with them, we learn something of value. We seek to learn from them what they would do differently and better if they had to start from zero and do it all over again. This is very helpful for our own planning and strategizing. It keeps idealism at bay and puts realism – reciprocity of interests and mutuality of benefit – at the forefront. It also helps us to keep constantly in mind an awareness of how long and difficult a road it has been for the European countries to reach their present stage of disagreement.”

In addition, there has always been a strategic geopolitical element in the GCC’s approach to the EU. As one GCC country’s foreign policymaker told me, “We’re under no illusions as to what Europe can or might be likely to do to with regard to defending us against Iran or Iraq. We’re fully aware of their limitations. On the other hand, in the UN Security Council, two European countries have the same veto power as the U.S., Russia, and China. Their interests, and indeed the interests of all the other European countries, are also clearly with us. In addition, the level of their knowledge and understanding of us is often far greater than the United States, as is the degree to which they are able to appreciate and empathize with our special needs and concerns – or, to put it another way, the degree to which they are willing to respect and accommodate our cultural and political sensitivities. Moreover, on many issues regarding export licensing and the sharing of technology, as well as the support of their governments, they’re in many ways much better prepared as well as freer than the U.S. to act in support of their interests.”

This last sentiment is an indictment of U.S. policies and positions, of American actions and attitudes, that did not exist in the first half of this century. As the prevailing leitmotif of many GCC and other Arab private attitudes toward Washington officialdom throughout much of the second half of the century, it is a commentary on the extent of political damage done to certain features of American goodwill in the region in recent decades. In the eyes of many in the GCC region, Europe, in general, is viewed as being much freer of serious impediments in the realm of politics and overall foreign policy on matters of importance to Arabs and Muslims. America, on the other

hand, is seen as remaining seriously hobbled and unable to maximize the prospects for success of its own foreign policy objectives, let alone those of its GCC and other Arab and Islamic allies.

Internal Factors and External Tariffs

In addition to the impact of international obstacles, a range of internal forces and factors also bear on the GCC countries' ability in the short run to forge a more tightly knit economic bloc. For example, on the matter of external tariff unification, Saudi Arabia and the UAE remain at polar opposites. Although both have been criticized for their tariff systems, their respective policies in this area make eminent sense. In both cases, their policies reflect accurately their economic visions, strategies, and specific needs.

More than two decades ago, Saudi Arabia launched an industrialization strategy with the two-fold aim of diversifying the base of its economy and providing employment and long-term stability for the Kingdom's rapidly expanding labor force. Subcomponents of the strategy were and remain the goals of human resource development and access to advanced technology. In the intervening quarter century, as noted earlier, more than 2,000 industrial plants have been established, mainly in Jeddah, Riyadh, and at various sites in the Eastern Province. Currently, the non-oil sector contributes more than \$8 billion annually to the country's GDP. Saudi Arabia, as a result, is well on its way to realizing its goal of industrialization and furthering its prospects for long-term sustainable development. Part and parcel of the strategy, however, has been the need, for an indeterminate period, to protect this "infant industry" from the competition of cheap foreign imports.

Saudi Arabia's quest for industrialization and the economic policy needs it presents are not unique. They echo challenges felt by other developing and newly industrialized countries with "infant industries." Such concerns have been addressed in near identical fashion by the governments of numerous other countries in similar situations.

One Saudi argument advanced in this direction has been for the member-states to adopt a pan-GCC external tariff rate of, say, 12%. From such a level, the argument posits, the six countries would be in a stronger negotiating position vis-à-vis the EU – and possibly, also, the World Trade Organization (WTO), or so its proponents claim – than they are at present, where the external tariff rates from one GCC country to another vary considerably.

There would be added value of increasing, possibly quite substantially, the level of the GCC members' non-oil revenues, certainly in the short run if not also over the medium and longer term. This latter feature of the argument understandably enjoyed greater appeal before the recent rise in oil revenues. In any case, with a beginning benchmark for a unified tariff being 12%, the member countries could then conceivably afford to

lower their tariffs every two years in unison and, gradually, over, say, a six- to ten-year period, decrease them until they reached a level of 4% or, possibly, lower.

Notwithstanding the attractive features of this line of reasoning to numerous Saudi Arabian economic and financial planners, the suggestion has thus far failed to gain a sufficient number of adherents elsewhere. The greatest degree of sustained opposition has come from the UAE. This writer has discussed the matter over the past several years with high-ranking officials in both the UAE and Saudi Arabia at length and concluded that the UAE's leaders are likely to remain steadfastly against the concept.

One of the seniormost officials responsible for determining international trade policies in the UAE told me outright on my most recent visit in January 1997, "The idea's unrealistic; it's not practical. No doubt, it would raise a fair amount of money, maybe a lot of money — in the short run — and that's clearly one of its attractions. But to go in this direction is not as easy as many think. People don't seem to realize that a sizeable bureaucracy would be required to launch and administer such a system. We don't have the means to establish and run such a system efficiently and, frankly, we fail to see the need."

"And," he continued, "don't overlook the fact that once you establish such a bureaucracy and system, it would be much more difficult than one thinks to dismantle it. People would get used to the amount of money coming in. Budgets and programs would become dependent on its continuation. Lots of people's jobs would be at risk. All kinds of arguments would be advanced to keep it going. And no one can say how much business such a system would drive away to other areas as a result. There's no question that it would affect the overall volume of our trade — quite possibly, very negatively. For this reason, we are opposed to the idea. We won't do it."

The context and economic dynamics are, therefore, dramatically different in the case of the UAE. Like Saudi Arabia's, albeit differently, the UAE's situation is, also, quite rational and easy to understand.

It is important to acknowledge, however, that the UAE, as a loosely knit federation of seven separate emirates, is structured very differently from the other GCC countries. For example, the most politically powerful and economically most dynamic and influential of the emirates — Abu Dhabi and Dubai — possess veto powers within the federal government that are denied the other five emirates.

Abu Dhabi is by far the wealthiest of the emirates. Its wealth depends overwhelmingly on oil revenues, and increasingly from foreign investments, not trade. Dubai's economy, especially its infrastructure, is also heavily dependent on the oil sector. But, unlike Abu Dhabi, Dubai's economic heart and soul has always been commerce. Its tariff policies, and increasingly the nearly identical tariff policies of the emirates of

Ajman and Sharjah, are central to the GCC's inability thus far to arrive at a unified system of external tariffs.

Dubai's case is straightforward and compelling. It is, and seeks to continue to be, the regional trading center par excellence not only for the Gulf, but for the entire eastern Middle East as well as for significant portions of South Asia, East Africa, and Central Asia.

The premise for Dubai's strategy is an almost ideological belief that tariffs must always remain as low as possible. Otherwise, the trading business that it seeks to attract and retain may decide to relocate wherever tariffs are lower. Where Saudi Arabia has a need to tax an imported good at 20%, Dubai, of necessity, and without any industry of significance thus far to protect, will view the same commodity from a completely different perspective.

Trading is Dubai's industry. For example, where Saudi Arabia would collect \$40 in tariff revenue from two imports of the same commodity upon which it levies a tariff of 20%, Dubai would prefer to collect its \$40 from allowing twenty imports of the same commodity taxed at the rate of 2%.

Tariffs III: Progress on Tariff Unification

In both the run-up to the most recent Doha summit and at the summit itself, there has been progress. The differences concerning a common rate have been narrowed among most GCC countries to a level ranging from 6% to 8% on most items. At the summit, the GCC's highest decisionmaking body, the Supreme Council, comprised of the member countries' heads of state, agreed on a tripartite system of classifying their external tariffs.

The three kinds of tariff categories are: exempt, essential (basic), and non- (or less) essential. There was neither a further definition nor elaboration of these three categories at the summit or in the final communique. To ascertain their meaning, this writer visited and spoke with authorities at the GCC Secretariat after the summit. The following is a summary of those discussions.

Officials dealing with this issue readily admit that when they began, they had no reason to believe that the matter would become so complex and drawn out over all these many years up to the present. The issue became a high priority item following the 1982 summit in Bahrain. According to one official who has worked on the issue since that time, "We thought it would be as easy to resolve the tariffs question as some of the other articles in the EUA, such as those relating to the ownership of land and other property and the increase in opportunities for professionals working in the GCC region. How naïve we were."

At the time, all six GCC countries had tariffs that were relatively low. Saudi Arabia had rates on some items as high as 7%, the UAE as low as 2%, and the rest had tariffs in the range of 4% to 5%. The GCC analyst continued, "But even then, when the differences were much less than they are now, we couldn't reach a consensus on a unified tariff."

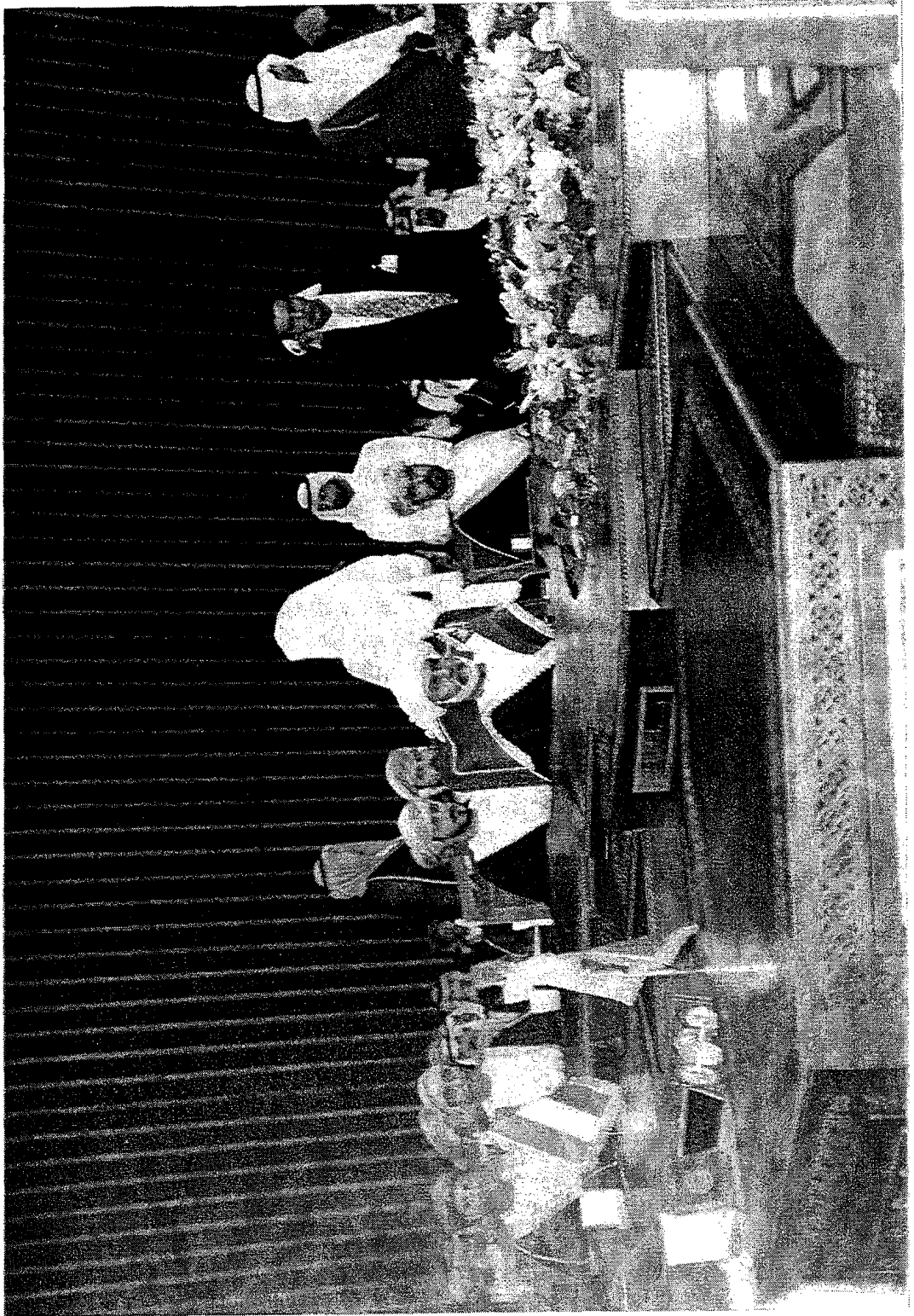
In their response to the challenge, the various GCC ministers of finance thought it might be best to tackle the challenge by agreeing to a *range* of tariffs. The range on which they agreed was a minimum of 4% and a maximum of 20% on any item imported into any GCC country from outside the GCC.

As noted previously, between and among themselves, the GCC countries virtually eliminated tariffs on any good which had 40% value added locally by any factory with at least 51% GCC national ownership. The provision had additional liberal components, such as the authorization for the 51% coming from any combination of GCC nationals, e.g., a citizen of Kuwait owning 20% along with a Saudi Arabian owning a similar amount in a company based in Dubai with 11% owned by a citizen of the UAE.

"The reason for this," the analyst pointed out, "was to encourage the broader transfer and circulation of wealth within, between, and among the GCC countries. It was thought that this, in time, would promote ever-increasing bonds of economic citizenship within the GCC. Another goal was to make it profitable for GCC factories to obtain their raw materials from other GCC countries, thereby more easily reaching the target goal of adding 40% value to the manufactured product which was necessary for the product to be declared exempt from intra-GCC tariff. We wanted, for example, to induce a company manufacturing telephone equipment to purchase its raw materials from one of the GCC countries rather than from Singapore, Malaysia, or someplace else."

After reaching agreement on the four-low and twenty-high framework for member countries' external tariffs, the issue progressed to another level. For example, Saudi Arabia adopted a 12% tariff on most imported goods on the following economic policy grounds. As explained by one official with whom I met, "We saw tariffs from a three-fold perspective: (1) as a source of revenue when our oil revenues declined – we now earn more than \$2 billion annually from tariffs, (2) as a stimulus, in the form of an incentive, to the establishment of new industrial ventures, and (3) as a means of discouraging our people from buying unnecessary items, thus encouraging savings. With regard to the latter, an additional idea was to retain more money inside the country, some of which we hoped would be invested in the local economy."

Despite the argument's merits, with this development, the gap between the various GCC countries' external tariff systems began to widen. The UAE held firm in its insistence on the need for a very low rate. Its representatives argued that the international trend was for countries to seek to join what was then the General



Outgoing GCC Ministerial Council President, H.M. Sultan Qaboos bin Said Al Bu Said, Ruler of Oman, and the Omani delegation at the Summit.

Agreement on Tariffs and Trade (GATT) and would later become the World Trade Organization (WTO). The trend, both then and now, has been for countries to lower tariffs, not raise them.

At the other end of the spectrum, Saudi Arabia, to increase revenue, promote industry, and encourage savings and local investment, continued to favor a higher rate. Bahrain and Oman, primarily to augment their far more limited revenue base, and in the absence of any foreseeable mechanism that could compensate them were they to alter their position, agreed on the need to adhere to a substantially higher rate.

Some technical specialists within the GCC believed there was merit in slightly raising the level of tariffs if only to be able to lower them as a means of gaining entrance to the WTO. However, the UAE stuck to its guns and opposed the measure, arguing that such measures would hurt its long-standing and lucrative, but very competitive, re-export trade. In truth, the UAE was not entirely alone in opposing any raise in tariffs.

Others voiced concerns that any hike in the rates would hurt their customers. In response, specialists pointed out that if the concern is to avoid damage to consumers, then issues other than tariffs need to be added to the discussion. Examples included wildly fluctuating exchange rates, sellers insisting on rapacious rates of profit, and agency laws, licenses, and permits aiding the creation of local monopolies.

In acknowledging the growing divergence of viewpoint, the GCC hired a team of consultants from the United Kingdom to study the matter from as neutral a perspective as possible and to come up with suggestions and recommendations. A GCC technical committee, comprised of representatives from all six member countries, supervised the work of the firm. The firm's representatives visited Bahrain, Saudi Arabia, and the UAE -- the countries with the most pronounced opinions on the issue. The study was interrupted by the Kuwait Crisis and its findings were delayed until 1991.

In 1991, the report was sent to the GCC's technical committee. The report outlined five approaches toward external tariff unification. Of these, the Committee selected the one that would apply a flat tariff of 6.5%-7% on all items from outside the GCC. The rate was based on the average external tariff for all six GCC countries at the time. The Committee submitted its recommendation to the GCC Ministers of Finance and Industry.

In general, the committee members acknowledged that the concept of using an average as a point of reference was a good idea, but the UAE voiced reservations and unanimity was not achieved. In addition to the UAE's reservations that the tariff was too high, others argued that using the same flat rate for all items, whether essential or luxury goods, was flawed. It would not be fair, some pointed out, to levy a 6% to 7% tariff on an automobile and the same rate on videotapes and school materials.

The Arabic word used to describe the decisionmaking process is "ijma," or consensus. To some, the word means the overwhelming majority, but in the GCC context, especially on a substantive matter, the concept has been interpreted customarily as requiring unanimity. Lacking unanimity on a substantive issue, the record of the GCC to date has been not to go forward. However, whenever unanimity has been achieved, the GCC's record of implementation has been a strong one.

(As an example and an aside, few doubt that the agreement reached at the December 1996 summit in Doha on raising the tariff on tobacco and tobacco products from the current 50% to 70% and ultimately to 100% will be implemented by each of the member countries. One week following the Doha summit, the GCC Secretariat formally instructed all six GCC Ministers of Finance in writing to raise their tariffs on tobacco accordingly. "The ministers know," an official informed me, "that if five members had supported the measure and one had opposed it, no such instructions would have been given.")

Because the GCC Technical Committee was unable to gain the unanimity of the GCC Ministers of Finance and Industry for its recommendation, the Committee is to be reconstituted and mandated to use the aforementioned three-fold system for classifying all goods imported from outside the GCC region.

This is where the matter stands at present. Thus, progress has been made in agreeing on the appropriate classification for some but not all goods presently imported into the GCC countries. Examples in the first category of *exempt* items are school materials, such as books, and necessary (i.e., not canned) foods, such as rice, sugar, wheat, milk, and meat -- foods that are used by most people every day.

Examples in the second category of *essential* items are clothing, canned foods, and refrigerators -- items that are very important, but of a lesser magnitude than the exempted items. The third category, which for lack of a better term is being described as "other," would include a broad range of consumer goods, such as furniture, toupees, umbrellas, jewelry, perfumes, and so on.

According to those interviewed by this writer, the Technical Committee has finished approximately 70% of its job in classifying the 1,285 commodities that the GCC countries import from outside the region. As one official told me, "half of the remaining 30% that await unanimous agreement as to their classification are the result of big disagreements among the members". The other half are differences of viewpoint between four of the members, on one hand, and one or two of the others.

Examples of such disagreements are whether an automobile is "essential." Member countries Oman and Saudi Arabia which have much larger territory and longer distances between settled areas than the other four countries see cars as essential. Other countries' representatives view the issue differently. For example, the representative of

a smaller country tends to argue that the larger countries need to be much more sensitive to the needs of smaller ones on such a matter. The smaller the country, the greater are its citizens' concerns with such issues as automobile pollution, vehicular accidents, the more certain likelihood of traffic congestion, etc. Accordingly, they favor a slightly more restrictive regulatory system, including tariffs, regarding the importation of automobiles.

"Our job," said one of the officials who deals with these issues on a regular basis, "is to try to find a way to resolve such differences. In the final analysis, beyond the financial dimensions of what is at stake are judgments related to people's values. For example, one person may think a car is an absolute necessity; another may feel it's less so. In the United States, it's not that much different. That is, some people think that living in a detached house is important, others are content to live in an apartment or condominium, and still others prefer to live in a rustic cabin in the mountains away from the city. With regard to such matters, it is not necessarily the monetary aspect that ends up determining public policy. These are things which, to some, may seem simple to resolve. But we've not found that to be the case, especially as many people have passionate feelings about such matters."

Numerous products imported into the GCC countries continue to elude agreement on what their appropriate classification should be. Among them are oil, cheese, nuts, oil materials, paint, toothpaste, plastic materials, tires, various paper products, certain glass items, assorted electrical products, and certain automotive materials. There is an ongoing debate among the member countries' ministries of finance representatives over whether these kinds of goods belong in the second or third category of classification.

"When we finish our work," one of the specialists informed me, "one can envision the unification of external tariffs within the three categories along the lines of 0%, 8%, and 12%, or possibly 0%, 8%, and 8%." Whatever the eventual outcome, the important point for the moment is that substantial progress on this thorny issue was achieved and given a boost at the Doha Summit.

However, it remains to be seen whether the GCC can meet the challenge of countering or compensating the UAE. Only if the UAE can be persuaded to raise its tariff rates will it be likely, or so it seems at present, for the six-state grouping to agree on a unified external tariff system. Only thus, will the members be able to put this contentious issue to rest and move on to other issues aimed at fostering economic cooperation with the outside world.

Even if the quest to do so remains elusive, all will not be lost. As a member of one of the EU countries quipped in a moment of analytical incisiveness, "We in Europe should be the last to rush to judgment as to how slow or fast others may be proceeding in their efforts to resolve such matters. After all, it has taken us twice as long as the GCC countries to arrive at our present state of disagreement on our economic integration."

**U.S. TRADE WITH GCC COUNTRIES
JAN.-OCT. 1996
(IN MILLIONS OF DOLLARS)**

Country	Exports (including re-exports)	Imports
Bahrain	203.80	104.60
Kuwait	1,609.50	1,405.30
Oman	172.80	394.00
Qatar	171.90	145.40
Saudi Arabia	4,958.00	7,744.20
UAE	1,698.70	438.00
Total	8,814.70	10,231.50

(Source: U.S. Department of Commerce)

Even if the GCC countries do reach a tariff unification agreement, other hurdles will follow. Prominent among these will be such issues as currency unification, banking practices, the regulation of stock and other capital markets, the ownership of shares in GCC companies, the achievement of pan-GCC gas and electricity grids, and further cooperation in the fields of health, education, standards, telecommunications, transportation, and the environment. These economic and business-related issues are likely to engage the energies and talents of the member states' best brains for at least another generation. The GCC countries will also have to agree at some point on an equally challenging issue: how best to establish the envisioned customs union, with special attention to the uses to which the customs collected will be put.

The timeline for the more immediate future is for the GCC's Ministers of Finance and Industry to meet before the end of February 1997. By then, it is hoped that the technical committee will have achieved further progress in classifying the remaining items eluding agreement. Beyond that, the GCC's Supreme Council has instructed the ministers to complete the system of tariffs classification by September, 1997.

Implications of a GCC-EU Free Trade Agreement

If the GCC countries reach agreement with the EU in 1997 on the principles and broad outlines of a free trade agreement, all products from the EU countries will enter the GCC markets free of tax by 2007. If this happens, the export promotion goals of other major trading partners of the GCC countries, such as the United States and Japan, because neither has even begun to negotiate such an accord with the GCC, stand to be hit very hard. The United States may continue to be the preferred trading partner in several of the GCC member states in areas where it enjoys a special market niche – for example, defense systems, power generation, and telecommunications, but its share of the overall GCC market is already down to barely half that of the EU countries and falling.

If a GCC-EU free trade agreement comes to pass, it will be good news for many of the corporations and the nearly 350 million people who span the region from the Baltic Sea to the Mediterranean. It will likely also be seen, however inadvertently, as benefiting geostrategic hard-liners in Iraq, Iran, and Israel. These three countries have traditionally been keen not to see GCC-U.S. economic and commercial ties strengthened because with such strengthened ties would likely come a deepening of relationships of trust and confidence in other areas, including investment, technology, foreign policy, and defense.

However much such an agreement might benefit the strategic and economic needs of other countries, there seems little doubt that if implemented, it would be a setback for American interests. Among U.S. foreign policy objectives likely to be the most directly

affected is the goal of increasing exponentially the volume and value of U.S. exports to the GCC countries.

Achieving this goal, a stated U.S. foreign policy objective for two consecutive decades, is important if only to lessen an increasingly costly American oil import bill. The ancillary benefits, moreover, are numerous and potentially of great significance economically in several other areas. These include lower per unit production costs for U.S. products, extension of the life of certain production runs, enhancement of corporate profitability, the augmentation of federal, state, and local tax revenues, and, not least, a lessening of unemployment in the U.S.

How, and perhaps whether, the GCC countries, the EU, and the GCC's other major trading partners, such as the U.S. and Japan, are going to resolve these issues to their mutual satisfaction remains to be seen. An official from one of the GCC countries' main trading partners, who has followed such matters closely for more than fifteen years, admits that it is not an existential matter that these issues be settled this year or the next. However, undeniably important, he argues, is that the two sides make the best of a good faith effort to register steady progress in their attempt to resolve such issues. Failing the ability to solve each and every problem, they must, at a minimum, do their utmost to ensure that the issues are ameliorated, or, at least, managed much more successfully, and at a much higher level of mutual benefit, than at present.

At this juncture, it is not at all certain what the GCC citizenry, as opposed to government officials, will accept or reject. It is easy, from the perspective of an informed GCC consumer, to see how many might view favorably the importation of goods duty-free. The net assessment of many GCC government officials, however, is bound to be different because at least some of them must be concerned with larger questions of economic policy. The officials, for example, who are certain to be concerned about the loss in tariff revenues for governmental cash reserves, meeting payments – everything from school lunches to contractors – and/or covering deficits are not few in number.

Either way, agreement or no agreement, the sailing for the GCC countries, no less than for other countries grappling with similar issues, is not likely to be easy. As the United States and Japan are experiencing, the new rules of membership in the WTO are compelling both to open more and more of their markets to each other's products.

In the interim, the signs are everywhere in the GCC that their economic future poses numerous challenges. In riding the coming century's tiger of economic reform, including market liberalization, capitalization, and tariff reduction, the GCC countries show signs of holding on tight for the period ahead while hoping they won't fall off or be devoured by the tiger in the end.

POLITICAL AND FOREIGN POLICY ISSUES

One of the reasons for the GCC's distinctiveness among the world's regional organizations is the unique nature of the political structures and systems of its members. All six are dynasties. On the global stage, monarchies are a dying breed of governmental structure. The GCC region contains six-eighths of the Arab world's ruling families. This number is down by four from the number that existed when the present century began. Not surprisingly, in some political and ideological circles, there has been a sense of defensiveness among the members ever since the GCC's establishment.

As one GCC representative, himself a member of one of the member countries' ruling families, expressed to this writer, "No doubt about it. We're an endangered species. We're like rare birds. As the saying goes, like 'birds of a feather, we flock together.' In this century, among the world's governments, our kind appears to have expanded the least and contracted the most. But don't count us out. We're much more resilient than many people think."

The GCC countries are indeed different. No trade unions. No Western-like separation between the sacred and the profane. No multiparty political systems -- no single party system, either. No so-called "freedom of the press." No constitutional monarchies. No general strikes. No American-style lobbies or other formalized special interest groups. No porous political system that allows other countries' interests to intimidate their leaders and dominate their foreign policies. Very few professional associations of lawyers, accountants, psychologists, psychiatrists, anthropologists, sociologists, historians, political scientists, philosophers, physicians, etc.

This is not the place to expostulate on the merits and demerits of the GCC countries' political systems. Neither is there a need to engage in either apologetics or condemnation of others' culture, history, or heritage, however much their systems of governance may differ from those prevailing elsewhere. Nevertheless, it is essential to understand that various aspects of the GCC countries' governmental structures and political dynamics, as well as many of their ideals, customs, and values, are *different* from those of most Western, Eastern, Northern, or Southern countries.

Many people who have never visited or lived and worked in the GCC region would read such a description of the area's political milieu with a mixture of grave concern and curiosity. "If all of this is true," one might ask, "then why haven't these monarchies been overthrown, like the ones in Egypt, Iran, Iraq, Libya, and Yemen? Aren't they about to explode?"

It has been 44 years since Egypt's king was forced to abdicate, 38 years since the Iraqi monarchy was overthrown, 34 years since the dynasty in Yemen was ousted, 27 years

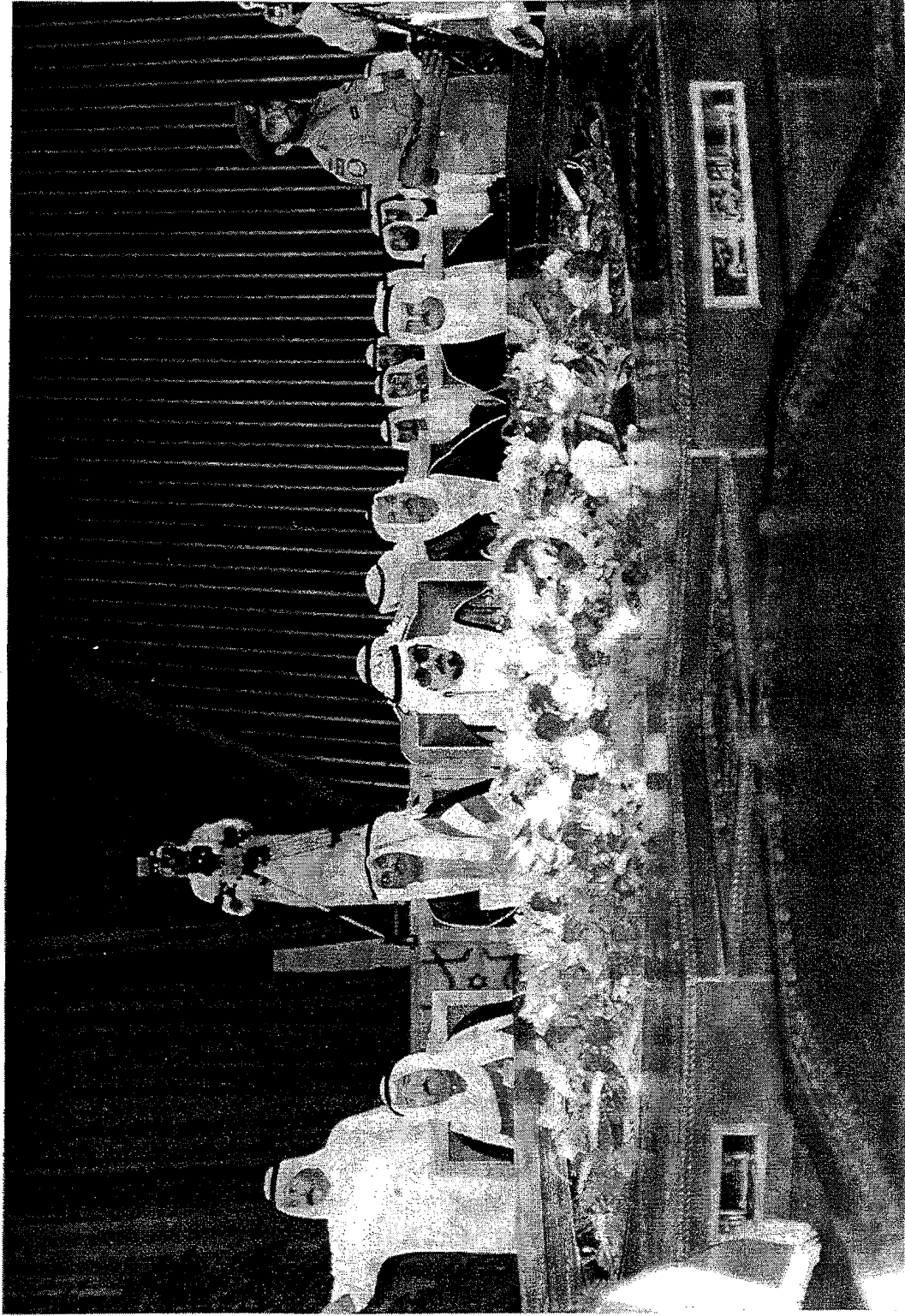
since Muammar Qadhafi toppled King Idris, and 17 years since the ruling family in Iran met its political demise. Throughout this entire period, conventional wisdom in the West has been that it is only a matter of *when* revolution will come to the GCC countries, not *whether*.

Yet, despite all the outside pundits' predictions to the contrary, all six of the GCC governmental structures and political systems are as intact at the present time as they were half a century ago. Indeed, the case can be made with regard to several GCC countries that their ruling families are stronger -- in some cases, far stronger -- than they were at mid-century. Numerous factors, outlined below, have contributed to the systems' longevity.

First, and perhaps the most important, a relative abundance of resources -- relative to several decades ago, and relative also to most other Arab sub-regions -- has boosted the long-term political prospects of virtually all of the GCC countries' ruling families. It may read as a propaganda piece to some, but the facts are that these resources have enabled most of them to provide their constituencies with an array of health, educational, housing, and business opportunities undreamed of by their forebears and unmatched anywhere else in other Arab countries, the Middle East, or the Islamic world.

Second, there has been a demise of radical Arab nationalism of the Egyptian and Iraqi varieties. For decades in Cairo and Baghdad, and to a lesser extent in Libya and Yemen, Arab nationalists used to postulate that in little or no time at all, the Arabian Peninsula's monarchies would be blown away as so many dandelions in the dust. Egypt was taken out of the fray in the wake of its disastrous defeat in the 1967 war with Israel. Iraq has been bereft of regional legitimacy since the 1990-91 Kuwait Crisis. Yemen lacks the resources and arguably the interest, Libya is too far away and in other ways inconsequential, and Syria, long with the loudest heartbeat of pan-Arabism, seeks nowadays to underpin these regimes, not overthrow them.

Third, and with special reference to past, present, and potential threats from Egypt, Iraq, Iran, and Yemen, the GCC countries' external defense has been and continues to be assured, if not practically guaranteed. This feature of the GCC's geopolitical landscape is without parallel, not only elsewhere in the Arab world but anywhere else in the developing world. The continuing de facto and in several cases de jure commitment of the GCC's principal Western friends, allies, and strategic partners, as well as such key Arab allies as Egypt, Lebanon, Morocco, and Syria, have been and continue to be key components of their external security. Collectively, they remain formidable bulwarks against the kind of threats and intimidation that have emanated from adversarily inclined foreign capitals.



1997 GCC Heads of State Summit host Shaikh Jabr Al-Ahmad Al-Sabah, Emir of Kuwait, at the Summit with the Kuwaiti delegation.

International agreements and understandings alone, however, would be of little import in fostering continued political stability were the GCC governments themselves seriously and profoundly at odds with their people.

There is therefore a fourth factor that helps to explain why and how such anachronistic polities have been able thus far to weather the efforts to bring them down. Stated simply, the governments themselves have accommodated and adapted to forces of change to a much greater degree than most of their protagonists imagined would be the case.

A series of factors and forces have combined to shape both the nature and the extent of political reforms within all six GCC countries. Cumulatively and singly, the reforms were designed to enhance political stability. The late 1980s breakup of the Soviet Union, the demise of the authoritarian and socialist regimes in Central and Eastern Europe, and the ending of the Cold War was one such factor.

At the 1989 GCC heads of state summit in Muscat, which this writer attended, the host was Oman's Sultan Qaboos. In his opening address, Qaboos was straightforward in emphasizing the likely repercussions for his country and the other member states if they failed to heed the worldwide movement for greater popular participation in systems of governance and national development processes. As a result of that summit, representatives of Oman, Bahrain, and Kuwait agreed to comprise a committee that would conduct a year-long study of the likely implications of such changes for political stability within the GCC region.

Since then, slowly but surely, one after the other of the GCC states has enacted into law a series of political reforms, some of them quite far-reaching. Each has had in common a desire to narrow the gap between governors and governed by providing citizens who are eager to participate more actively in public affairs an opportunity to do so. Only thus, it is reasoned, will increasing segments of the populace feel they have a vested interest in perpetuating the existing forms of government and the national, provincial, and local policymaking and decisionmaking processes. Only thus, it is believed, will the existing regimes lessen the grounds which might otherwise provide the pretext for outside interference -- as Iraq and Iran have done in the recent past -- in their societies.

To be sure, such political reforms by themselves do not guarantee political stability within the GCC region. Yet, in combination with the aforementioned factors, their contribution to regional and domestic peace is not to be minimized. Such actions, cumulatively, have lent considerable credence to the view that the GCC regimes have recently become politically proactive to an unprecedented degree. One early result has been the partial re-engineering of some of the structures and systems by which the six sovereigns have been enabled to relate more openly, freely, and transparently to their subjects, and vice versa.

Emerging in these countries is not in any sense the notion of "democracy" in its innumerable and quite differently engineered Western forms and formats. Rather, in keeping with the time-honored values and traditions of the cultural, social, and political milieu in which the changes are taking place, the greatest emphasis has been placed on expanding the realms of responsiveness, consultation, and consent – three key Arab and Islamic political values that are as old as time itself.

Their shortcomings notwithstanding, the traditional governmental and political moorings of the six GCC countries are deeply embedded in a framework of beliefs, institutions, and practices that place a premium upon societal consensus and harmony. If decades-long empirical observation counts for anything, the systems of governance and values and belief systems within the GCC region appear to be broadly accepted by the people who live under and with them.

The acts of politically motivated violence that have occurred in a couple of the GCC countries periodically, albeit with less frequency than in the United States, give cause for a continuing need for vigilance. And the vitriolic and vehement attacks on some of the ruling families by exiles living abroad warrant ongoing monitoring and analysis. But for the most part – a growing number of specialists would say that Bahrain may be becoming the exception – the manifestations of societal disintegration are not at hand in the GCC countries, nor are they at the doorstep.

To be sure, this palpable "consent of the governed," rooted as it is in the norms and mores of the people themselves, does not equate with many Westerners' idea of more preferable forms of government. Yet, the system has been tested time and time again and, to date, not found unduly wanting. Against all odds, it weathered Nasirism; it survived Ba'thism; it has managed thus far to co-exist with Khomeini-ism. Whether individual GCC states or the grouping as a whole will be as successful in coping with the more contemporary currents of radicalism clothed in religious garb remains to be seen.

The question itself, however, is one that animates political discussion from one end of the GCC region to the other. The uncertainty as to whether the GCC countries will be able to cope as effectively with these more recent challenges as they did with the previous ones weighs, on balance, more heavily on outsiders than insiders. Many of the former labor under the disadvantage of limited information, often compounded by bias and preconceived notions of what other people's forms of government should be.

Many of the former, to paraphrase Robert Burns, also labor under an inability to see themselves as others do. Numerous GCC countries' citizens, when they think about it, think first and foremost of the U.S. in this regard. Many American pundits, almost alone among Western or any other foreign observers, lecture the GCC countries regularly on the need for them to become more "democratic." In response, many GCC

citizens – leaders and ordinary people alike – say the U.S. would do well to look in the mirror.

In the eyes of many GCC citizens and lots of others (ask Canada, America's closest ally, about Cuba), the U.S. is seen as the Olympic champion of double-standards, as the undisputed leader in anti-democratic behavior internationally. GCC and other specialists in American studies, for example, point out that in the U.N. Security Council, the world's highest political body, the U.S. has used its veto to thwart the democratic will of the majority, i.e., Great Britain, France, and what would otherwise have been Security Council consensus, nearly eighty times since 1970 – more than all the other members combined. The U.S. has done this more than 30 times on issues of immense political and, in some cases, spiritual importance to the GCC countries and their allies elsewhere in the Arab and Islamic world as well as like-minded countries in almost all of Africa, Asia, Europe, and Latin America.

The arrogance of power is one thing, the ignorance of power quite another. On the altar of respect between and among nations, the combination of the two never comes cost-free.

Many of the GCC leaders and educated citizens on the whole have yet to be as concerned as many Americans about the merits and demerits of political systems other than the ones they have. That this is so, and that they get far less worked up over such questions in general, is not to be equated with passivity or naivete, though this may be the case with some. Rather, for most, a palpable degree of certainty and confidence flows from the truism that no political system is synonymous with nirvana. It flows also from the knowledge that their systems, for all their faults and shortcomings, contain some very positive elements that not only have withstood the passage of time – roughly seven times as long as Canada and the U.S. have been countries – but, also, that millions of other people all over the world find attractive.

Iraq

The GCC countries' unfinished business with Iraq was at the top of the Doha summit's political agenda. This has been the case in each of the previous summits since the onset of the Kuwait Crisis in 1990. Prior to the summit, the U.S. and others manifested considerable concern that the UAE and possibly one or more of the other GCC states might call for a lessening of the various U.N. Security Council sanctions on Iraq.

The concern was misplaced, however. The summitters showed no signs of weakening, withdrawing, or wavering in their support for the sanctions as long as Iraq fails to comply fully with the governing U.N. resolutions. At the same time, each member was on record as supporting U.N. Resolution 986, the oil-for-food arrangement, under which Iraq is entitled to sell up to \$2 billion of oil every six months. The proceeds from the sales are to be spent on purchasing essential food and medical supplies for

distribution, under U.N. supervision, to needy Iraqis who continue to suffer as a result of the sanctions.

Other pre-summit analyses predicted that the GCC countries would object to Iraq's reentry into the international market for reasons related to market shares within the international energy industry. However, the bulk of GCC oil exports do not go to Turkish, Italian, and Caribbean markets, for which most of the initial Iraqi crude exports were destined. The fears of market displacement thus proved groundless. Neither did the specter of a significant downward impact on the price of oil take hold, at least not in the short term.

Even so, the situation regarding the GCC states and Iraq is quite different from a year ago in three important respects, all of which impact on American interests. The first involves private sector elements in the UAE emirate of Dubai and, to a lesser extent, the emirates of Ajman and Sharjah. These emirates continue to aid Iraq in eluding the U.N. sanctions. Indeed, of some dozen countries that have helped Iraq in this regard, UAE-assisted violations – of the sanctions' intent if not also their legal technicalities – exceed those of all other countries combined.

The way this is done underscores the commercial acumen of one of the world's oldest communities of traders. Iraqi gas-oil, or condensate, is shipped aboard vessels from Basra into the Gulf and along the south Iranian littoral. For a hefty fee, Iranians provide "legitimate" certificates of origin stating that the cargo is Iranian oil purchased in Iran. The oil is then off-loaded in either the UAE or sent onward to Pakistan and India. It is refined or blended with other distillates and sold for a hefty profit.

The dollar amounts involved are in the millions; for those involved in the trade, the business is very lucrative. More importantly, from a geopolitical and strategic perspective, the sales – both before and since the oil-for-food and medicines scheme began – have provided a means of hard currency for the Iraqi regime and a source of its staying power. As the UAE has traditionally done little to fetter free trade advocates, there is little likelihood that its de facto contravention of the sanctions in this manner will cease in the near future.

The second phenomenon that impacts American interests and has implications for U.S. policies related to Iraq is Iran. For the past year, the GCC states in the Lower Gulf have had reason to be increasingly apprehensive about Iranian intentions in the Gulf. Tehran has shown expansionist designs on its neighbors by imposing a series of faits accomplis on the UAE-claimed islands of Abu Musa and the Greater and Lesser Tunbs.

Essentially, Iran has claimed all three territories since it occupied them in 1971. The three islands lie within or near the main shipping lanes into and out of the Gulf. Iran has refused to discuss the central issue in dispute, i.e., the question of sovereignty. It



GCC Secretary-General H.E. Shaikh Jamil bin Ibrahim Al-Hujaitan at his first Summit press conference since assuming his post in April 1996.

has also intensified its occupation and fortified Abu Musa island with missiles and other defense installations.

Moreover, on the eve of the GCC summit, Iran conducted extensive naval exercises, code-named "Victory Seven," offshore Oman and the UAE. For the past five years, Iran has timed these maneuvers to take place around the time of the summit in what many in the GCC believe is a deliberate effort at intimidation. The exercises took place entirely in the vicinity of the Hormuz Strait, the economic jugular for most of the GCC states. Two of the maneuvers' most prominent features were underwater and other special operations capabilities and the laying of mines.

These developments did not take place in a vacuum. They came on the heels of unofficial and unconfirmed reports that Iran was at least indirectly involved in the truck bombing of the Al-Khobar Towers military compound in Saudi Arabia last June that killed nineteen Americans and wounded hundreds of others.

This combination of factors since the last summit has increased considerably the grounds for pan-GCC apprehension about Iranian motives, intentions, and capabilities. In such a context, Iraq is being viewed increasingly, again, as a necessary geostrategic bulwark and buffer against an Iran that shows every sign of intending to continue to intimidate one or more of the member states.

The third Iraq-related concern that bears on American needs, concerns, and interests is the role of the GCC states in administering Operation Southern Watch (OSW), the U.S., British, and French-mounted air surveillance campaign over southern Iraq. The campaign was and is designed to protect the Shi'ite Arabs of southern Iraq. The goal is to prevent these people from being brutally oppressed again by the Iraqi government as they were in the aftermath of Operation Desert Storm in 1991.

The day when all of the sanctions against the Iraqi regime will be lifted seems likely to be much sooner than a year ago. When that day comes, lacking a compelling rationale for the U.S., other Allied, and GCC defense establishments to retain their present force structure and state of readiness in the northern Gulf, it is likely that pressures will come quickly from within the region for these forces to withdraw. The implications of such a downsizing of the overall Allied Coalition military presence in the region need to be carefully considered and closely calibrated with the GCC countries, lest Iraq and Iran interpret this as a weakening of Allied Coalition resolve.

Iran

For several years, ever since it began to take over control of Abu Musa Island in its entirety, Iran has occupied second place on the annual GCC summit's political agenda. As at previous summits since 1993, the GCC states have come down hard on Tehran's unwillingness to discuss the dispute's core issue of sovereignty.

The summit's final communique did not explicitly say so, but the participants made no effort to downplay their accelerated concerns about Iran's positions and policies on a range of issues of importance to the GCC countries. The summiteers spoke straightforwardly of Iran's "aggression" and of its military buildup on Abu Musa being beyond the Islamic Republic's "legitimate defense measures." Moreover, unlike the last GCC summit held in Qatar, in 1990, no Iranian representatives were invited to attend.

Beyond the reasons mentioned above, the GCC states cite the following factors for their heightened concern with Iran: (1) the increasing bellicosity of various official statements emanating from certain Iranian leaders; (2) a belief that Iranian support for opponents of the Middle East peace process made it easier for the hard-line Israeli government of Benjamin Netanyahu to come to power, thus undermining moderates in the region, scuttling the process' previous momentum, and raising tensions throughout the Gulf and elsewhere in the Middle East; and (3) the revelation by numerous Bahraini dissidents that they were trained, inspired, and supported by Iranians either in the Islamic Republic itself or in Iranian-controlled areas of Lebanon.

In addition, GCC leaders cite two more reasons for their apprehension vis-a-vis developments in Iran: (1) the forthcoming 1997 elections for a new president of Iran, with the front-runner being considerably more extreme in his viewpoints than the incumbent Rafsanjani, and (2) questions surrounding the degree to which Iran provoked the events of last August which precipitated the American military response against Baghdad after Iraqi armed forces entered northern Kurdistan.

These concerns are laminated on top of pre-existing ones that include the recent delivery of the third of Russia's Kilo-class submarines to Iran. Many in the GCC interpret these and other Iranian purchases of armaments as a not-so-subtle effort by Tehran to acquire the technology and materials necessary for assembling nuclear weapons.

In the eyes of nearly every official in the GCC countries' foreign policy and defense establishments, the U.S. cannot claim innocence on the matter of nuclear weapons in the Middle East. One of America's Achilles heels, in their and a great many others' view, is the consequence of its having for decades turned a blind eye to Israel's acquisition of nuclear potential. Washington officialdom's blatant double standard -- saying and doing nothing against Israel's acquisition of nuclear capabilities and not even enforcing U.S. laws dealing with the issue -- is noted throughout the region. Such an untenable policy is not without its negative consequences: when they are pressed to oppose Iraq's, Iran's, and other countries' efforts to acquire nuclear potential, U.S. diplomats and security officials in the GCC countries are placed in the embarrassing position of being a fool's messenger.

Thus, an additional apprehension of the GCC countries is the volatility of the U.S.-Iranian relationship and a possible eruption in relations between the two. This apprehension explains in part Saudi Arabia's and other GCC countries' reluctance to point fingers at Iran for complicity in the bombing of the Al-Khobar Towers complex. It also relates to the stalled Middle East peace process.

The Middle East Peace Process

The implications of the floundering peace process are not confined to the eastern Mediterranean. They extend as well to the Gulf. Outside the immediate peace process partners, few Arab countries have expressed greater dismay and disappointment than those in the GCC at the setback dealt the peace process since the Israeli elections in May 1996.

More than any other group of Arab countries not directly party to the Arab-Israeli conflict, the GCC countries had gone a long way to convince the Israelis, the United States, and indeed the world that they were willing to play a proactive role in helping bring to an end this century's longest unresolved international conflict.

Dating from the early 1980s, no other group worked as hard and eventually as successfully to convince the PLO of the strategic need to settle the conflict through peaceful political and diplomatic means. Although not themselves a party to the conflict, the GCC countries were represented at the Madrid Conference to help launch the most recent version of the peace process.

The GCC has participated in each of the multilateral meetings dealing with the larger regional issues of water, refugees, the environment, and arms control. GCC countries have been the single biggest Arab contributors by far to the Palestine Authority, the designated and elected body mandated to negotiate with the Israeli government.

Several GCC countries took measures in support of the process that did not meet with the approval of a significant number of their people. They did so anyway, as the quest was a strategic one in pursuit of regional peace, security, and stability. In September 1992, all six GCC states stepped out ahead of their colleagues in the League of Arab States and rescinded the secondary and tertiary features of their long-standing economic boycott of Israel.

GCC member states Bahrain, Oman, and Qatar went even further and hosted Israelis in the first-ever conferences of their kind in the Arabian Peninsula. In each of these meetings, Israeli officials and delegates attended and participated as equal partners alongside their GCC, Egyptian, Jordanian, and other Arab colleagues, as well as representatives from the U.S., Great Britain, France, and many other countries.

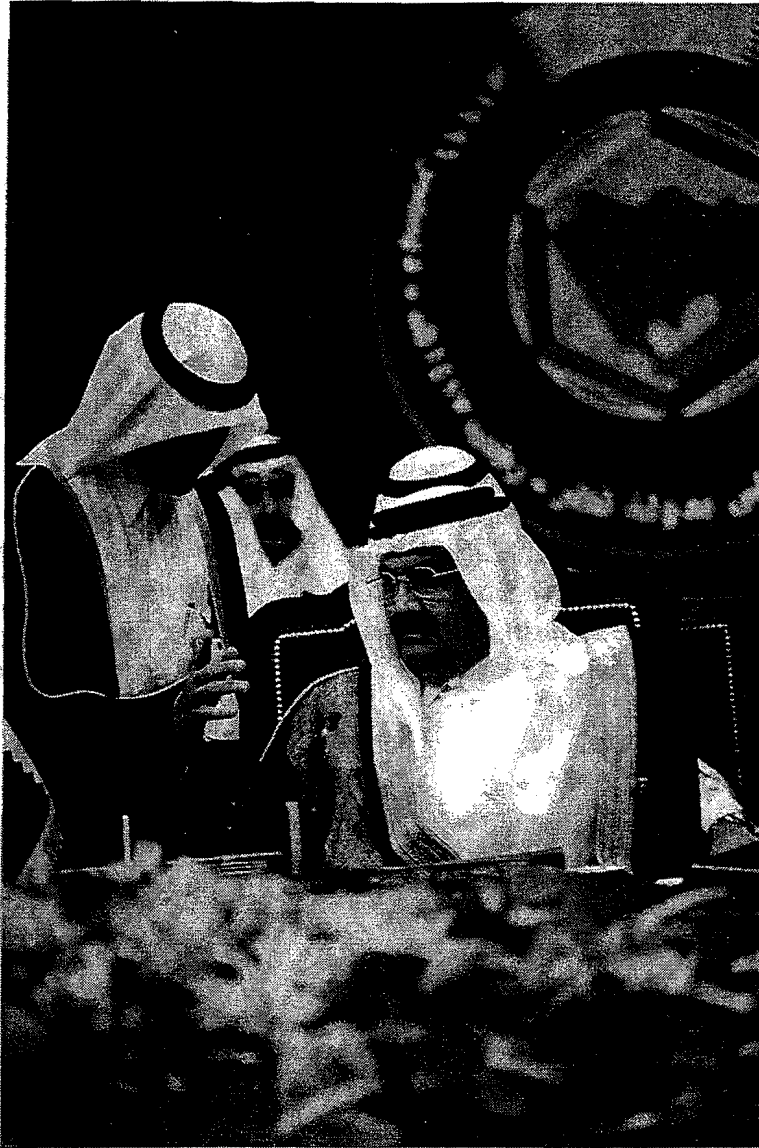
Oman and Qatar went still further and established trade representation offices in Tel Aviv, and allowed Israel to do so in Muscat and Doha. The trade offices remain open, and the seven-person staff in each remains in place, but what had been an embryonic movement toward furthering Israeli-GCC country trade links has been paralyzed. The GCC rationale is that there cannot be business as usual or even "trade as *unusual*" when one of the parties insists on dragging its feet. They refuse to go forward when that party shows every sign of intending to default on previous, internationally arrived at agreements by demanding that they be re-negotiated or interpreted in such a way as to serve their own national interests – however much at variance these interests may be with the letter and spirit of the accords.

The Israeli government's repeated decisions and actions on the ground to strengthen and expand its colonization of Palestinian territories have heightened animosity against Israel throughout the GCC and elsewhere in the Arab and Islamic worlds. The Netanyahu government's open defiance of innumerable U.N. resolutions related to the conflict, and its continued snubbing of Great Power positions and policies on the necessary steps to resolve the disputes without recourse to violence, have hurt the peace process.

These setbacks, in the eyes of GCC countries' leaders, have played into the hands of those who wish the process would fail. They have emboldened radicals and extremists. They have endangered the prospects for peace, stability, security, and prosperity. They have threatened American interests. They have undercut U.S. policies designed to promote and protect those interests in the GCC region and elsewhere in the Middle East.

Virtually all GCC leaders and their counterparts in the individual member states are frustrated with the unwillingness of the United States to exercise the leverage it has on Israel – if only to protect its own interests of strengthening its traditional friends, strategic allies, and commercial partners in the Gulf and elsewhere in the region. However, the effect of U.S. policies to date has been to put GCC leaders and the leaders of GCC countries, as one of the region's highest-ranking officials told me, "on the defensive. It embarrasses us. The effect is to weaken us – weaken us in the eyes of our people and in the eyes of our neighbors. This is not a good thing. It is not good for you and not good for us. For if your friend is weak, you, too, are weak."

At the summit, however, there was mainly a rhetorical reaction against recent and ongoing Israeli actions with regard to security, the settlements, Jerusalem, water, boundaries, Lebanon, Syria, and the establishment of a Palestinian state. In GCC and member states' eyes, such actions have had the net effect of torpedoing the earlier euphoria that a truly just, durable, and comprehensive settlement of the Arab-Israeli conflict was in sight.



The new President of the Supreme Council, the GCC's highest decisionmaking body, H.H. Shaikh Hamad bin Khalifa Al-Thani consults with an advisor during one of the Council's meetings at the Summit.

As to how this may yet play out in the Gulf, many in the GCC region are apprehensive about possibly unexpected actions undertaken in the near future to alter the present calculus of the Middle East peace process. The more apprehensive note the potential implications of the fact that the 1996 U.S. presidential elections are over. They add to this President Clinton's lack of support for Israeli Premier Netanyahu's successful election campaign in 1996. These two facts are then added to a third "fact" (presumed, but not yet fully proven), i.e., that the U.S. will likely exert pressure on the Netanyahu government to live up to the Oslo Accords and proceed post-haste to negotiate in good faith not only the redeployment of Israeli forces in Hebron and elsewhere in the West Bank, but all the other issues that remain pursuant to Israeli-Arab agreement on a final settlement.

To the degree they can project themselves empathetically and strategically into the shoes of an Israeli strategist, some GCC leaders are concerned that a potential parallel to 1982 may be in the offing. In the spring of that year, following Israel's withdrawal from all of Egyptian-owned Sinai except the Taba Strip, U.S. policymakers signaled to Israel that the time had come to address the next issues on the peace process agenda: Gaza, Jerusalem, and the West Bank. This proved unnerving to the Israeli government at the time.

In short order, Israel invaded Lebanon, breaking a hard-won, nearly year-long ceasefire that had been brokered by the United States and the PLO. For its actions, Israel was roundly condemned by the United States and virtually every other nation. However, when the dust settled, and the main emphasis of American foreign policy had turned to other issues, a drastically different Middle Eastern calculus of power and priorities, of agendas and focus had emerged.

A decade and a half later, Israel remains in Lebanon. In the interim, thousands more Israelis have become colonists in the Palestinian territories. Even the U.S. lexicon on the Israeli settlements has changed -- from "illegal" under President Carter, to "an obstacle" under Presidents Reagan and Bush, to merely "a complicating factor" and "troublesome" under President Clinton.

In such a setting, some GCC countries' analysts believe that Israeli strategists are as keen as ever on keeping the maximum amount of conquered Arab territory and resources possible. One possible strategy for succeeding would be to elude any American pressure vis-a-vis the peace process. To this end, the analysts reason, an Israeli strategist would be sorely tempted to alter the prevailing peace process calculus by shifting the focus from the eastern Mediterranean to someplace else, as happened in 1982.

One variant of this attention-shifting scenario would have the United States launch an attack of some kind against Iran in response to Tehran's alleged involvement in the June 1996 bombing of the military compound in Al-Khobar, Saudi Arabia. GCC

leaders are aware that several mainstream U.S. newspapers have reported highly sensitive information indicating, at a minimum, Iran's indirect complicity in the attack. Their apprehensions are underscored by the belief that the information was leaked by Clinton Administration insiders and by reports published in the U.S. last summer that indicated the location of more than a dozen alleged "terrorist" training sites in Iran. Their concerns are heightened further by Clinton Administration officials' highly publicized claims that Saudi Arabia has been "uncooperative" in the investigations into the bombing of the Al-Khobar Towers complex last June.

A particular concern is that the U.S. may at some point launch a retaliatory raid against Iran. If so, a pan-GCC anxiety is that Tehran would be tempted to strike back by hitting U.S. interests, quite possibly in one or more of the GCC countries, as many believe Iran did in the June 1996 bombing in Saudi Arabia. The risk of escalation into a major conflagration, should this happen, could then become very real. To guard against such a confrontation appears to be the major reason why Saudi Arabia and its fellow GCC members remain so reluctant to charge Iran publicly with complicity in the explosions which took American lives.

The outcome of any U.S.-Iranian use of force in the Gulf is therefore seen by GCC leaders as fraught with grave danger. All can see the possible benefits for Israeli interests, goals, and objectives, i.e., pitting Arabs against Iranians, raising GCC-U.S. tensions, possibly dividing Arabs against Arabs, diverting and draining Arab military and economic resources, and shifting the locus and focus of international defense and diplomacy to the Gulf, away from the Mediterranean. In such a scenario, few can envision any possible gains for either the GCC countries or the United States.

Whether there is any validity to these concerns should be clearer in the weeks and months immediately ahead. In the interim, the stakes in the Middle East peace process will remain high. The risks inherent in any renewed conflict in the Gulf, regardless of the stimulus, will also continue to be considerable. The goal of avoiding either or both scenarios will require great vigilance and skillful diplomacy on the part of all the parties concerned.

Terrorism

Terrorism has been on the GCC heads of state summit agenda for each of the past three years. Bahrain, Oman, and Saudi Arabia are the three countries most directly affected by the phenomenon to date. These three are also the ones that have been the most consistently forceful in insisting that the topic receive appropriate priority and attention at the summit meetings, in the annual and extraordinary sessions of the GCC ministers of interior, and in the meetings of intelligence and police officials responsible for maintaining domestic security.

At the Doha summit, the heads of state issued one of their strongest statements to date on the need for greater intra-GCC cooperation in the area of counter-terrorism. Their goal is to ensure that the scourge of terrorism be brought and kept under effective control, if not eliminated altogether.

Terrorism is not likely to disappear from either the U.S. or the GCC region any time soon. As a phenomenon tailor-made for the media, it will continue to engage the rapt attention of Americans and Arabs alike. In much of the media's haste to sensationalize each and every act of political violence even potentially linked to Arabs and Muslims, it is likely that little mention will be made of the fact that Middle Easterners, and specifically Arabs, far more than Israelis or Westerners, are the most frequent victims of terrorism.

It is also likely that background, context, and perspective will continue to be either altogether lacking or very limited in any Western discussion and analysis of the phenomenon. For example, the tragedy that befell U.S. troops and civilian personnel in Saudi Arabia last June continues to cloud judgments as to an appropriate response, beyond the need for greater security precautions. To be sure, there are also those who clamor for retaliation of some kind. There are still others who insist on the impossible: establishment of a zero-risks environment in which to live and work. In contrast, few Americans are likely to derive much solace from the fact that, in all of 1996, there were 364 days and twenty-two hours of domestic security and political stability in Saudi Arabia of a kind unmatched any place else in the world.

The summit's statement condemning terrorism was strong and clear. Yet, it was a toned-down version of the one the GCC ministers of interior had issued following their pre-summit meeting earlier in the Fall. At that session, the participants had reason to be considerably alarmed by the extent to which terrorists arrested in Bahrain and Saudi Arabia had implicated Iran as at least an indirect source of moral and material support for their activities.

Those arrested admitted that Iran's support for such activities came mainly through Iranian-controlled groups and facilities in the Bekaa Valley in Lebanon. Here, then, is another thread in the seemingly seamless web of linkages between unrest rooted partly in the unresolved Arab-Israeli conflict in the eastern Mediterranean, partly in the grievances against governments and aspects of their foreign and domestic policies in the GCC region, and partly in the U.S.- and Pakistan-orchestrated training in the 1980s of thousands of GCC and other Arab "volunteers" to resist the Soviet invasion and occupation of Afghanistan - volunteers who have now, in most cases, returned, more than a few as jobless, to their home countries.

Here, too, is also where intra- and inter-state conflict and business intersect. For example, one of the inevitable upshots of the heightened concern with terrorism is the degree to which it impacts on intra-GCC trade, foreign investment, and the movement

of peoples between and among the member states. As a case in point, the delays encountered by trailer trucks and other long-haul vehicles transporting goods – and cars carrying commuting workers and people visiting relatives – across GCC borders are longer than ever.

Despite the inconvenience and costs to GCC countries' businesses and consumers alike, no early end to such delays is in sight. No border police or customs officials are prepared to be lax in their search for weapons or explosives. As one observer wryly commented, "We're on the lookout for bullets and bazookas being brought in with broccoli." The much hoped-for breakthrough of GCC citizens being given preferential treatment at border crossings by merely presenting a valid GCC identification card is correspondingly pushed back further and further.

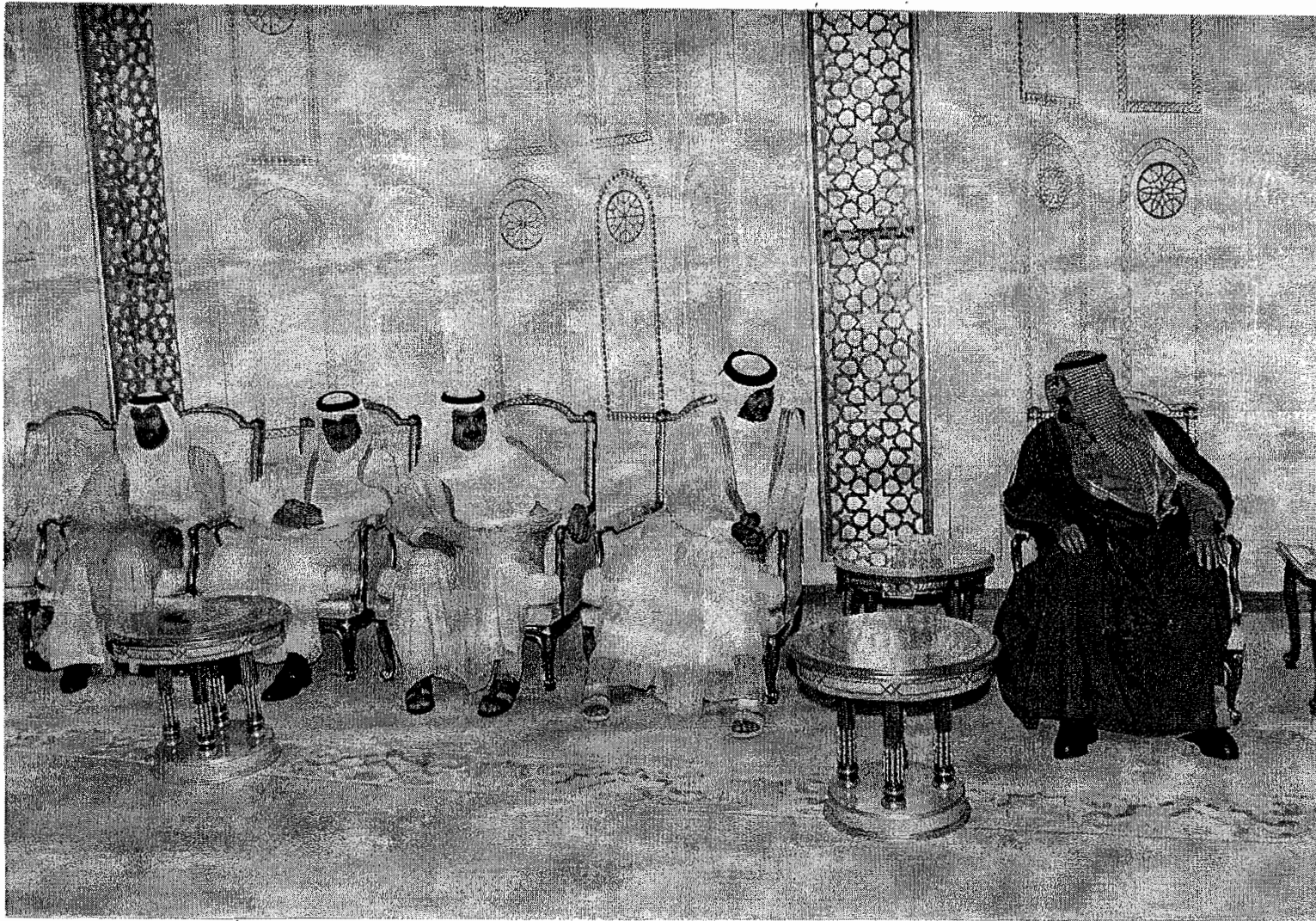
Here, too, then, is where several seemingly incongruent patterns of regional discord tend to overlap and sometimes converge. The list is a formidable one. It includes the unfinished business integral to the sanctions regime against Iraq, the unilateral U.S. embargo against Iran, and the unwillingness of the United States to play a more forceful and effective role in the Middle East peace process.

The list also encompasses the acts of home-grown militants who, as the aforementioned volunteers to help oust the Soviet Union from Afghanistan in the 1980s, received their training in arms and explosives in that Islamic country. Now, back home, many of these veterans in guerrilla war tactics have taken up the cudgels to rail against the perceived excesses of power and privilege in their own society. The distillation of these and other undercurrents of malaise has produced a very powerful combination that is combustible. GCC and Allied Coalition policymakers can ignore or play down the implications of these challenges only at their risk. Leaving them unattended is not an option.

SECURITY AND DEFENSE ISSUES

As a matter of policy, GCC heads of state summits seldom mention anything noteworthy about the members' cooperation between and among themselves with any of their defense partners or, for that matter, about defense issues period. That they elect not to do so is an understandable source of frustration for writers for defense magazines and for foreign intelligence analysts, military strategists, and defense planners. However, the GCC leaders are comfortable with and even proud of the degree to which they have been able to keep a lid on sensitive discussions related to defense issues.

Nevertheless, there is a great deal of data and analysis in open sources that can guide generalists and specialists to reasonably valid conclusions as to the state of play with



Qatar's newly appointed Heir Apparent, H.H. Shaikh Jasim bin Hamad Al-Thani (2nd from R) chats with his Saudi Arabian counterpart, H.R.H. Crown Prince and Deputy Prime Minister Abdallah bin Abdalaziz Al-Saud at the Summit.

regard to regional defense strategy, planning, training, procurement, exercises, information-sharing, force readiness, and so on.

It is also not difficult to gain a reasonable degree of confidence in learning about such seemingly arcane, but often very important military-related undertakings. Examples are data pertaining to formal and informal defense cooperation agreements and understandings, access to facilities, details on defense budgets and military construction, information about defense technology, equipment, weapons, and the positioning of vehicles, ammunition, and various supplies. Much harder to come by is accurate insight into motives and intentions; these remain among the most elusive and difficult of human phenomena to perceive accurately, let alone fully comprehend.

Despite these caveats, there is no question that defense cooperation among the member states has been a high priority item since even before the GCC was established. This may seem strange to anyone who has read the GCC charter, for nowhere therein is contained even the slightest hint that the members intended to include defense cooperation as one of their main objectives. The context and circumstances in which they launched their experiment explain why.

At the time of the GCC's founding, there was great reluctance among most of the members, all of whom were also members of the League of Arab States, to address the issues of defense cooperation in the charter and thereby risk incurring the wrath of the League's members who were not being asked to join the GCC. In particular, the summiters wanted to avoid agreeing to something that could be interpreted as superseding their commitment to a pan-Arab defense pact dating from the 1950s. A much more compelling and immediate concern, however, was that the Iran-Iraq war was being waged literally on their doorstep as they met.

Officials in Baghdad and Tehran were in different degrees virulent that six Gulf states had elected to establish a regional organization that deliberately excluded them. They were livid that these neighboring countries whom they aspired to dominate politically, economically, and militarily had, in effect, unilaterally seized the moment and stolen the march on them.

These countries, right under Iraq's and Iran's noses, had elected to erect an edifice to strengthen themselves both inwardly and against outsiders. It was a major blow to Iraq's and Iran's respective pride, prejudice, and pretense. This writer recalls that the tone and tenor of Baghdad's and Tehran's reactions were ones of incredulity – the audacity that such “weak and ineffectual” countries could hope to get away with deliberately excluding two of the region's largest, most populous, and militarily most powerful Gulf countries.

For the GCC to have openly flaunted its defense cooperation objectives in such a highly charged atmosphere would not have been wise. All knew that cooperation of this

nature, of necessity, would entail the GCC countries' entering into an even closer strategic and military relationship with the United States, Great Britain, and France -- something that the would-be regional hegemony in Iraq and Iran bitterly opposed.

Since its inauspicious inception with a war being waged next door, the record of the GCC members' achievements in the area of defense cooperation, like their cooperation in the economic field, has been mixed. It is also a briefer record partly because there has not been an all-embracing or as specifically detailed an agreement on this topic as their Economic Unity Agreement.

Largely because of this, and the inherent sensitivity of the issue itself, the size of the GCC staff assigned to work the defense cooperation relationship has never been large. Those at the GCC Secretariat who work on economic and related issues outnumber those who work on defense issues by a ratio of nearly thirty to one. This said, it is also true that given the nature of the subject, a conscientious policy decision was made early on to pursue this component of GCC cooperation mainly *outside* the formal GCC structure.

Accordingly, to understand what the GCC has or has not done in this field, one has to look elsewhere. For example, much of what has been achieved in the area of intra-GCC defense cooperation has taken place among the six ministers of defense and the chiefs of staff of their armed forces. These officials meet on an average once yearly, usually in the fall, in preparation for the annual heads of state summit.

GCC defense officials have also held extraordinary meetings in times of crisis, as during the 1980-88 Iran-Iraq war and in the aftermath of Iraq's invasion of Kuwait in 1990. The participation in the multilateral field exercises of their respective militaries provides them with additional opportunities to compare notes, increase inter-service familiarization, and seek other ways to further cooperation between and among their armed forces. There are also exchanges at the officer and cadet level among the several GCC military training institutes.

Intra-GCC Defense Cooperation: A Balance Sheet

Most Westerners look askance at what the GCC countries have accomplished and failed to achieve in the area of meaningful defense cooperation. Many believe that very little has been achieved. Had they done more, many argue, Iraq would not have dared to invade Kuwait in 1990. Had they done more, many postulate, Iran would not have proceeded unilaterally to take over the entirety of Abu Musa Island. Had the GCC countries achieved more, the reasoning continues, there would not be the need for nearly as high a Western military presence in the region, and these countries would be much more effective than they presently are in being capable of deterring or defending themselves against Iraq and Iran.

Arrayed against such a net assessment is different data that suggests the overall picture is not as black and white -- or as bleak -- as depicted. This is not to deny that the current state of pan-GCC military readiness and effectiveness, as measured against the long-term regional security threats they face from Iraq and Iran, gives no reason for comfort, let alone complacency. To cite but one example, the boldest and most innovative recommendation by a GCC military leader, Oman's Sultan Qaboos, that the skeletal and symbolic 12,000-strong joint force stationed at Hafr Al-Batin in Saudi Arabia be expanded to 100,000, continues to receive no backers elsewhere within the GCC.

Each of the other GCC countries has its own reason for failing to endorse the proposal. The leaders of one member state say, quite frankly, albeit fatalistically, that such an effort would be a waste of people, time, and money. In one way or another, leaders of all the other members agree. Each is quick to add that they will fight valiantly to save their country, but it is their firm belief that nothing short of an iron-clad American commitment to defend the GCC against Iraq and Iran will suffice to protect against another major regional conflagration. Nothing less, it is argued, is likely to restrain the more adventuresome military strategists in Baghdad and Tehran.

Others find fault with the Oman-proposed concept on demographic grounds. "We haven't even enough people to run our bureaucracies, embassies, and universities, let alone our armed forces," said a leader in one of the GCC countries who has grappled with this issue since the GCC's inception. "Even with the high priority we have assigned to these developmental challenges," he continued, "it is not likely that we will have the requisite human resources in these civilian areas before another generation from now."

More than one leader from at least four of the GCC's six countries expounded on the implications of this for the GCC countries' efforts to acquire or reach a level of effective military cooperation capable, within their lifetimes, of deterring either Iraq or Iran.

"Just work the numbers," one GCC country's official told me. "Start with a citizen population (in any of the four countries) of between 200,000 and 600,000. Consider that almost half the total are below the age of sixteen, thus not yet in the economically active strata of the overall population. This brings the numbers down to 100,000 to 300,000. Reduce this number by at least a third to account for those who have retired and are senior citizens."

"This lowers the total to between 67,000 and 200,000. Then reduce it by another 50% to account for the fact that although more and more women are in the work force, and in Kuwait, Oman, and the UAE they are also in the army and police, the great majority of GCC women, in accordance with our values and traditions, feel proudest of being homemakers. This brings the numbers down to between 33,500 and 100,000."

"Wait, we're not through yet. Take a further 25% of this number for the people we need to administer our schools, our hospitals, our police and fire departments, our water, electricity, post offices and telecommunications stations, all of our embassies abroad, and our missions to the United Nations, the World Bank, the League of Arab States, and several other international organizations. This reduces the total to between 25,125 and 75,000. And still, we haven't accounted for those who will work in business. These are at least half, if not more, of the remainder, which brings the total down to between 12,500 and 37,500."

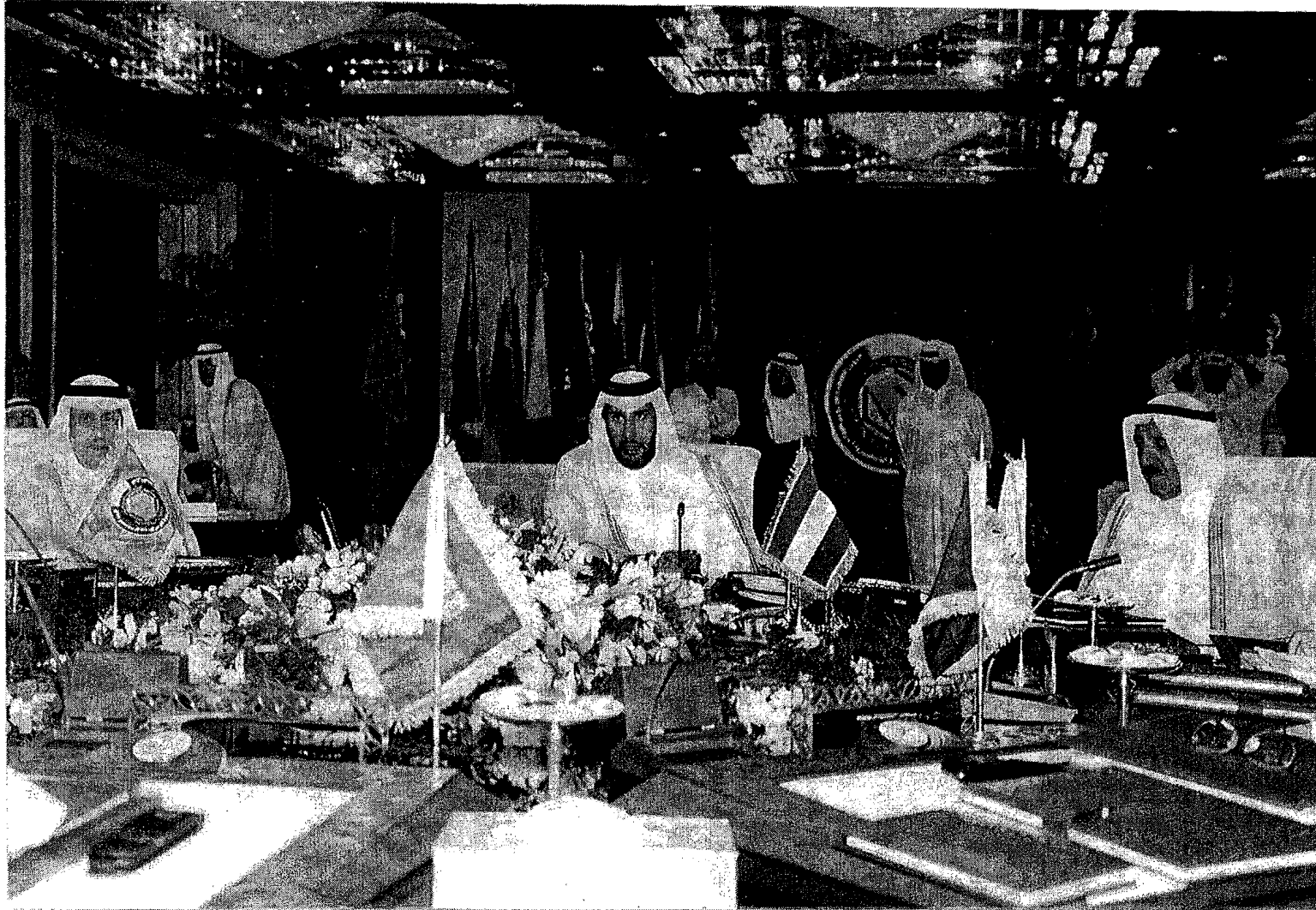
"Finally, subtract a further 25% to account for those who are in university or completing their studies for a higher degree abroad. This lowers the total to between 9,500 and a little more than 28,000. Arrayed against these numbers is the fact that the armed forces of Iraq, even in defeat and ignominy, are more than 400,000-strong and that a nearly equivalent number of people are under arms in Iran."

"This is the situation. We may not like it, but it's the reality. It's more like a given, a fixed constant. It's possible that we could change this reality, maybe even considerably, but only over a very long period of time -- say, a generation. But there's a fundamental question for which we don't have as yet a satisfactory answer: At the end of that period, would what we have done make us any safer, any more secure, than we are now?"

"Especially," this specialist continued, "as, unlike Iran and Iraq, we do not presently have, nor do we envision having, a program to develop biological, chemical, or nuclear weapons. Even if Tehran's and Baghdad's research and development efforts in these three areas were to cease, and they were to concentrate solely on strengthening and expanding their conventional military capabilities, would not both Iraq and Iran still be that much further ahead of us in the size of their own armed forces?"

To paraphrase the "bottom line" of this line of reasoning, one can say all one wants about the relative lack of a Western work ethic or ethos and point one's finger at this or that hindrance to the GCC countries' modernization and development and the prospects for their being more self-reliant in the immediately foreseeable future. However, in fairness, the answer, or the "fault," if it's that, lies only partly with what's possible and not possible in the area of human resource development, force structure, recruitment, procurement, leadership, and commitment.

The greater part of the difficulty unfortunately lies elsewhere, in areas beyond the GCC countries' or anybody else's capacity to control. The GCC states' citizenry could work around the clock and all be workaholics. They could place the goal of attaining a credible self defense establishment at the very top of their national priorities. But in the final analysis, how realistic as a viable policy option would that be? How credible a deterrence or defense against an invading Iran or Iraq would that be? The numbers brook no illusion as to what's realistically possible.



The new Chairman of the GCC's Ministerial Council, H.E. Shaikh Hamad bin Jassim Al-Jabr Al-Thani, presides over a meeting of the GCC countries' foreign ministers on the eve of the Summit.

Saudi Arabia, to be sure, together with Oman are only partial exceptions to this very bleak demographic picture. Yet, Riyadh, too, has not warmed to the proposal of establishing a 100,000-man joint defense force as advanced by Sultan Qaboos.

Saudi Arabia's and the other GCC countries' governments are innately reluctant to over-commit themselves to new projects in an era of uncertain economic resources and increasingly demanding human ones. In the special case of Saudi Arabia, it is important to note its additional and especially pervasive range of constraints. To cite two very big ones, the Kingdom comprises four-fifths of the GCC's total land mass and more than 80% of its population.

Moreover, none of the other GCC countries is bordered by more than four neighbors, but Saudi Arabia, in contrast, has *thirteen* neighbors. At least half of the Kingdom's neighbors are more populous. Many of these neighbors are jealous and resentful of the Kingdom's resources and prominent role in regional and world affairs. Add to this its sheer size: Saudi Arabia is more akin to a continent than a country; in terms of total territory, it exceeds that of all of Western Europe combined.

In such a context, Saudi military strategists are quick to explain that the task of building up the Kingdom's own armed forces to a level at which they can effectively tend to the country's defense is a task that, in itself, is uncertain and awesome enough. Attempting to achieve this far-reaching goal while simultaneously committing additional scarce resources would risk having limited or possibly no success in either endeavor.

The Damascus Declaration Countries

Thus far, the two Arab countries with whom the GCC countries remain the most comfortable in the area of defense cooperation are Egypt and Syria. Both countries regularly send representatives to observe the pan-GCC military exercises that have been conducted in Kuwait since the reversal of Iraq's aggression. There are also exchanges of officers and visits of GCC defense ministry officials and military staff with their counterparts in Egypt and Syria, and vice versa.

The more significant components of the GCC's cooperation with these two countries, however, are at the geostrategic and geopolitical levels. In this context, both countries bring considerable assets to their relationships with the GCC's member states. For example, Egypt's army is the Arab world's largest, most experienced, best trained, and probably also the best-equipped outside the Gulf region, thanks in large measure to U.S. assistance.

Moreover, Egypt's capital, Cairo, is also the headquarters of the 22-member nation League of Arab States. It was two League resolutions in August 1990 that lent important weight to the pan-Arab and pan-Islamic component of the non-Western

countries that comprised the Allied Coalition which liberated Kuwait. Egypt is also on good terms with all of the U.N. Security Council's five Permanent Members, whose favorable votes were critical to the internationally concerted action to reverse Iraq's aggression. In addition, Egypt is at peace with Israel and a stalwart among Arab countries anxious to conclude an effective peaceful end to the Arab-Israeli conflict.

Syria brings additional and somewhat different assets to the GCC's broader strategic, military, and geopolitical framework. The Damascus regime's Arab nationalist credentials are as deep as, if not deeper than, any other Arab country. This dynamic, while in no way a conclusive factor, was nonetheless valued highly in the context of Iraq's highly emotional and very ambitious efforts to rally Arab nationalist elements to its side during the 1990-91 Kuwait Crisis. Also important is the fact that Syria borders Iraq and Jordan and that its relationship with Iran affords the GCC countries a valuable allied communication link to Tehran to complement their own.

France

France continues to play a role in the area of GCC national and regional defense. As a Permanent Member of the U.N. Security Council, its capacity to support or block a resolution condemnatory of any country that might threaten the GCC is a major asset. So is the array of high technology defense equipment that it is prepared to sell or even develop to specification for GCC countries.

The French military itself, however, continues to downsize. In the process, its capabilities and commitments have been rendered less credible in some areas than they were five years ago, when the last major threat to Gulf security occurred. There is little indication, however, that France has in any way lessened its interest in playing as great a role in selling as much military equipment and defense systems to the GCC countries as the market will bear.

This last dynamic is a source of considerable irritation to U.S. defense planners. The latter, with reason, believe that when "911" is dialed again in response to a major threat to Gulf regional security, the number will ring first in Washington and only later, and then at a metaphorically somewhat lower decibel, in Paris. Accordingly, U.S. military logistical and operational considerations drive an American need for ample amounts of the most appropriate weaponry and defense systems to be in the GCC armed forces' arsenals – if it is not U.S.-made, it should at least be interoperable with U.S. equipment and standards – if and when U.S. troops have to re-enter their region again in force.

One of the understatements of the century in the eyes of many Americans is that French laws do not constrict French armaments manufacturers and their marketing representatives abroad in the way that U.S. laws restrict American defense firms. The implications of such a different set of circumstances are at times more than troubling. They continue to be a major source of consternation among U.S. defense planners,

security assistance personnel, active duty troops and reservists, and the U.S. defense industry.

From the perspective of some within the GCC, it is important that France, for some of the aforementioned reasons, be given more than a nominal role in regional defense if, with reason, it can be relied upon to deliver what it promises. Its U.N. Security Council support, on one hand, and its links to Iran and Iraq, on the other, are seen differently from within the region and, in all three cases, as assets. French armaments, moreover, come without the kinds of politically mandated legal restrictions on licensing or use that often accompany the sale of certain U.S. weapons. This, too, is seen as an asset which the U.S. is unable to match.

A major remaining question involving the role of France is the final outcome of the UAE's choice for the next generation aircraft to replace its aging fleet of Mirages. Already delayed for nearly two years, it remains to be seen whether an announcement will be forthcoming at the 1997 International Defense Exhibition in Abu Dhabi in March. The decision is tantalizing, both for the amount of the sale, which could exceed several billion dollars, and for the nationality of the aircraft's – or different aircrafts' – manufacturer(s). As for the latter, the decision could be either American or French or, conceivably, a combination of the two. From one perspective, the latter option would not lack sense. That is, it would avoid "wasting" the time and expense invested over the years in French-trained pilots, aviators, and maintenance, as well as ground support personnel. It would also have military strategic merit beyond the obvious geopolitical benefit.

Great Britain

England, in many ways strategically and industrially like France on the global scene as a whole, has more than 300,000 workers whose livelihoods are totally dependent upon aircraft sales. Using the figure of an average family of four, this translates into a populace of at least 1.2 million in both countries for whom their primary if not sole source of sustenance is their national aviation industry. As both countries' armed forces establishments continue to contract, the need is great to increase their international sales.

With Great Britain, as with France, the same U.N. Security Council Permanent Membership and accompanying veto is counted as an important asset which every GCC country wants to have on its side. The same applies to Britain's exceptionally close strategic, economic, political, and military relationship with virtually all of the GCC countries, which exceeds that of France in all four categories. This holds true somewhat more in the Lower Gulf states of Qatar, the UAE, and Oman than in the northern Gulf. In the area of oil and gas, as well as defense cooperation, this is especially the case in Oman, which spans both sides of the vital maritime routes into and out of the Gulf through the Hormuz Strait.

Formidable as these assets are, the British know and understand better than anyone else how most of the GCC polities function politically, socially, and economically and commercially, given the thousands of British expatriates working in GCC banks and businesses. Like the credibility and effectiveness of a pan-GCC defense structure, such foreign expertise cannot be built up or acquired overnight. It is the result of generations of painstaking work by British armed forces officers and political, diplomatic, and intelligence agents working in close tandem with their own as well as many local strategic planners and military leaders. The sum total of such efforts has produced a treasure trove of information and insight into the inner workings of societies which America's best are only now just beginning to come to know and understand.

From one end of the GCC region to the other, it is a source of no small assurance and reassurance that Great Britain is one of their foremost allies and strategic partners. In spite of the imperial underpinnings of England's expertise in Gulf affairs, there remains a degree of remarkable overall respect for the country that erected and administered a system of truly effective regionwide deterrence and defense for the better part of two centuries up until 1971. It is still an active participant in building and maintaining a different and better Gulf region – different and better in the sense of being more developed, integrated, and prosperous -- than the one it administered until relatively recent times and for several generations past.

The United States

Since the end of the Kuwait Crisis, if not also during the latter part of the Iran-Iraq war, the United States has been the primary guarantor of the GCC countries' external defense. This will likely be the case for as far as one can see into the future.

Hindsight and elementary prudence alone, however, would warrant a caveat or two. First is the need to add the standard disclaimer, "barring the unforeseen." For Americans, this phrase has particular validity with regard to the Gulf more than any other place in the world. Twice in the span of less than half a decade, the U.S. and other outside powers did not foresee a major breakdown in the Gulf's regional security edifice.

In a nation of 264 million people, fewer than ten Americans outside government service focus full-time on the GCC area – despite the fact that the GCC's members encompass six of the Gulf's eight countries, half of the Gulf's entire territory, all of its western littoral, two thirds of its northern corner, and fully half of all the world's known oil and nearly as much of its gas reserves. Clarity of hindsight alone would indicate that there is undoubtedly much within the GCC region and indeed in the Gulf as a whole that is not foreseen. If ever there was a clear and compelling case to devote the requisite



UAE Minister of Foreign Affairs H.E. Shaikh Rashid bin Abdalla Al-Naimi at the Summit.

resources to training more Americans to meet a particularly important national need, here's one.

A second caveat is American defense officials' admission that the U.S. on its own is limited in being able to "nip in the bud" clandestine efforts to destabilize its force structure, defense posture, or state of alert and readiness in the region. A fair number of the limitations are rooted in U.S. self-imposed restrictions on resources and training in the areas of intelligence penetration, collection, and analysis. Fortunately, here is an area where the GCC countries themselves, using their own often quite superior human resources, play a role of inestimable value in contributing to the GCC region's defense and security.

A third caveat would be that, until the Arab-Israeli conflict is solved to the satisfaction of the greater number of the Israeli and Palestinian people, there will be numerous continuing and unnecessary obstacles to maximizing U.S.-GCC defense cooperation. Repeated Israeli transgressions of stated U.S. policy and U.N. resolutions that even the U.S. voted for are noted with dismay by every U.S. friend and foe throughout the region. U.S. excuses for Israeli behavior in defiance of U.S. stated policies as well as American and international law are not listened to with a deaf ear or looked at with a blind eye by anyone anywhere in the GCC region or elsewhere in the Arab and Islamic world. Here, then, is another American Achilles heel which hampers the best efforts of even the most skilled U.S. envoys, diplomats, and other specialists in government-to-government relations. The road to greater American-GCC defense cooperation is therefore strewn with these and other kinds of political-military minefields.

Nevertheless, the nature and the degree of defense cooperation that has been achieved is remarkable. Consider the following. The entire world knows with much greater clarity than any time in history just how important the Gulf as a whole, and the GCC region in particular, is to American and Allied interests. There is a similar international degree of awareness of and appreciation for the particular military strategy that the U.S. has forged to protect those interests. Constant repetition of the strategy has done more than proclaim a line in the sand; it has drawn similar no-trespassing lines in the sky and the sea as well. In short, U.S. military strategy posits that the United States will come to the defense of one or more countries in the GCC region again.

Additional achievements in defense cooperation are:

- in Operation Vigilant Warrior in October 1994, U.S. forces removed any doubt about their ability to act decisively and with dispatch in rushing battle-ready troops in sufficient number to the area threatened.
- U.S. and other Allied Coalition leaders succeeded in persuading the U.N. Security Council to enact the first and, to date, only international commitment in history which guarantees the inviolability of a country's borders -- Kuwait's.

- the GCC countries practically emptied their treasuries in underwriting the financial costs and much of the in-kind expenses of the internationally concerted actions that helped bring about an end to the Iran-Iraq war and the Kuwait Crisis. More than five years after the Kuwait Crisis, they continue to contribute substantially to Operation Southern Watch with regard to southern Iraq. GCC countries also make substantial cash and in-kind contributions (e.g., fuel, water, electricity, housing, etc.), to the United Nations Special Commission on Iraq, which is responsible for monitoring and implementing the U.N. resolutions against Iraq.
- in each of the past five years, U.S. forces have participated in more bilateral and multilateral joint maneuvers with their friends and allies in the GCC region than in any other area of the world.
- a considerable degree of clarity with regard to conviction and commitment flows from the defense cooperation agreements between the U.S. and five of the GCC countries that have been signed or renewed in the past several years. A theme common to each of the agreements is a mutual commitment to consult in times of crisis, to conduct joint training and other exercises, and, in several cases, to preposition essential military materiel necessary to help repel an invasion.
- the U.S. has finally been able to share with its GCC friends to a greater degree than before some of the primary sources for its threat assessments. This has been widely welcomed within GCC defense planning and operational circles. It has helped and continues to help, like nothing else before, to illuminate to America's strategic defense partners in the region much better than previously the rationale for comfort or concern with the actions of an adversary or adversaries since the last time their capabilities and probable intentions were evaluated.

Despite all of the favorable attributes to contemporary U.S. military strategy, planning, and operations in the GCC region, it remains to be seen whether the current construct of U.S. Gulf defense policy will remain intact in the second Clinton Administration. The early signs are that the overall goals of deterrence and defense are likely to remain on course, but one or more aspects of U.S. policies toward the region is likely to change. Among the candidates for change are some of the policy-related issues already cited – for example, force structure, readiness, modernization, procurement, and training – and/or the strategy of “dual containment” that for the past several years has been the phrase most often used by analysts and official representatives when explaining U.S. foreign policy toward Iran and Iraq.

Driving the recommendations of some groups advocating a change in policy are a mix of economic interests. One element is a group of energy companies that reacted very negatively to the earlier Clinton Administration's prohibition against U.S. companies seeking to develop Iran's oil industry. Such companies want to engage Iran, not isolate

it. Closely allied are engineering and construction companies. Such firms specialize in the reconstruction of war-ravaged economies, which are apt descriptions of Iran and Iraq. Also allied are institutions that specialize in underwriting the risks of such ventures. On most days of the week, on matters pertaining to public policy, any of the three are accustomed to having their telephone calls returned. The three combined can be formidable.

A parallel source of pressure for change are the U.S. air force and naval establishments. Each takes its cue from the imminent quadrennial review of U.S. defense requirements. Among all services, it appears to be a given that further downsizings and related efforts to effect cost savings are possible -- in troops, budgets, equipment, etc. In this context, the air force and naval components are making especially persuasive cases that their sectors, in comparison to the army, should be cut the least.

In the case of continuing U.S. commitments to the GCC region, both forces mount powerful arguments that the defense of the Gulf can be assured with fewer people and less expense from the sea with state-of-the-art aircraft aboard aircraft carriers. Not always stated clearly but implicit to this line of argument is a call for more funds for research and development (modernization) as well as for procurement. A related line of reasoning is that there is less need than before to have U.S. ground forces in any substantial number in the region. The need for having forces of any kind in any strength ashore is also questioned. Aligned to both services' rationale are private sector companies that provide the design, engineering, and manufacturing, as well as the maintenance and operations assistance, for defense systems and military equipment.

These seven groups are joined by an eighth, more amorphous and diffuse group. Its members are spread among academe, think tanks, and an assortment of special interest groups. There is a common theme to their policy pronouncements and recommendations, voiced primarily in special seminars and study groups that deal with matters of public policy, in various newspaper and newsletter editorials, and on TV and radio talk shows. Inside GCC defense and political-military circles, and within and among some American groups as well, these eight groups are collectively referred to as "the American threat to U.S. forces and U.S. defense policy in the Gulf."

A central tenet to the analyses and recommendations of most of the eight groups is the premise that the number of U.S. troops in the GCC region is too high, the nature of their composition is misguided, the stated regional security threat assessments are exaggerated, and the profile of the forces is also so wrong-headed and fraught with danger that the U.S. stands in possible imminent likelihood of being asked to pick up, pack up, and head home.

This analyst would challenge the premise of these observations, analytical assessments, and recommendations. The number of U.S. troops in the GCC region is far fewer than imagined by those who claim to the contrary. On practically any day in a year, Panama

has more U.S. troops on its soil than any of the GCC countries or even all six of them combined.

Yet Panama has a population of only four million, whereas the GCC's is *six times greater*. In Panama, moreover, there exists a deeply rooted and extensive strand of anti-Americanism that dates back more than a century. Many Americans may feel they stole the Canal fair and square, but the overwhelming majority of Panama's citizens, and an even larger percentage of its archivists, historians, political scientists, and religious leaders know the truth and are of a different view.

Thus far, nothing remotely comparable has yet taken firm, massive, or pervasive root in any of the GCC countries. In four of the six GCC countries, the transformation from protected-state status to national sovereignty in the past quarter century was profoundly different from anywhere else in the Middle East and, for that matter, in much of the developing world. In the fifth country, Kuwait, which obtained its independence a decade earlier, the situation was not significantly different. The sixth country is modern Saudi Arabia, which, alone among all twentieth-century states entering into the community of nations, did not emerge from Western imperial rule.

The GCC region as a whole is thus a major historical exception to what transpired elsewhere. In more ways than one, it is the quintessential aberration -- it defies the facile comparisons that many uninformed observers are prone to make when they generalize about the Arab countries, the Middle East, and the Islamic world. This may not be what American Gulf policymakers want to hear. But it is what anyone dealing with matters of public policy related to these six countries needs to hear, along with the call to consider the implications that such facts have for important American interests, and hence U.S. policies, in the GCC region.

CONCLUSION

Beyond this review of the Doha summit's agenda and results, it remains to be asked "whither the future of the GCC?" If there are more transcendent forces and factors at play among the members than the economic, political, and defense issues examined at the summit, what might they be? And in what way might they provide additional insights and indications as to what the GCC experiment is all about? Or for that matter, what further light might they shed on the broader question of whether the GCC itself or its members merit any more extended consideration than presented?

What bearing might any additional perspective have on anyone's need to understand better how far the GCC has come, where it is going and, whether, after all is said and done, it really matters? These concluding observations and thoughts are offered with such questions in mind.

Tribalism, Nationalism, Supranationalism

Explaining and analyzing what leaders at a high-powered meeting undertake to achieve and why is one thing. Analyzing what they and those they represent have been experiencing away from summitry is something else. Although this latter dimension is very important for understanding what is going on in the GCC region, it is unfortunately missing from most studies. In their place are too many descriptions and diagnoses of the region as though it were a collection of oil wells, not countries, or as mountains of money, not people with a rich Islamic culture and Arab heritage. Even as countries and people, they are made to appear as anachronisms who, but for oil, would matter little if at all.

This is not the place to address such inadequacies. But something else can be offered. One can present a portrait of a people and a culture, of a way of life, in transformation amidst tradition. For example, unspoken but no less clearly stated in all the reams of summit communiqués issued over the past decade and a half has been the members' unending quest to transcend their divided past and to rise above the confines of their territorial tribalisms and nascent nationalisms.

For generations, the rhythms and routines of yesteryear have been those of jockeying for power, prestige, and position among the Peninsula's peoples. Not that an entirely new regimen has emerged in their stead. Far from that. But what is beyond denial and unmistakably significant is that a new community of supranational *feelings*, if not also a community of convincingly identified and delineated set of *interests*, has come into being.

A half century ago, for example, a great many of the GCC region's senior citizens of today – people without any formal education – could hear the last name of another GCC citizen and immediately be able to state with almost pinpoint accuracy the roots of that individual's ancestral moorings. He could be fairly certain of the length and breadth of their grazing lands if they were nomadic, the number of their water wells if they were settled. He would likely also know the name of the extended family from which the tribe's paramount clan traced its origins and where they stood in the pecking order of the country's power structure. However, with the movement of peoples back and forth across GCC boundaries in the past decade and a half, this kind of knowledge and certainty is much more fluid than ever before.

These and related attributes of traditional Arabian society are fading fast. However, notably and unlike elsewhere in the region, the opposite has failed to surface in its place. No equivalents of Nassers or Qadhafis have yet emerged or appear on the horizon. And it remains to be seen whether the newer generation's religious radicals – with last names like Awdah, Faqih, Bin Ladin, and Masaari – will have the staying power of their similarly angry but more avowedly secular predecessors.



Outgoing GCC Supreme Council President H.M. Sultan Qaboos bin Said Al Bu Said, Ruler of Oman (R), meets with Saudi Arabian Heir Apparent H.R.H. Abdallah bin Abdalaziz Al-Saud (C) and H.R.H. Prince Saud Al-Faisal Al-Saud, Saudi Arabia's Foreign Minister.

It is clear that something doubly transcendent -- above tribalism and above the nation state as well -- has been and continues to be added to the GCC's landscape. One needn't intellectualize the insight -- only note that the cultural and social resilience of the member countries' tribal structures has not been fully vitiated by the passage of time, nor have innumerable features of their attributes been swept away by the onslaught of material and social modernity.

However arcane and archaic these political anachronisms may appear to an outsider -- or even an insider struggling with monetary and fiscal issues -- the governmental structures of all six of the GCC countries have lasted far longer than many thought. Almost two decades ago, the Shah of Iran predicted their imminent demise. The irony is clear.

And not just the structures, but the political systems that they embody, too, have outlived even the more generous estimates of twenty-five years ago regarding their likely longevity and legitimacy. The structures and systems alike remain embedded in the GCC peoples' social milieu and, for many, a continuing source of their individual identities -- still part and parcel of the institutions that play important roles in legitimizing a given government and whose leaders' assent is sought whenever there is a change in rulership.

Yet today, within institutions as well as with individual values and life styles, the breadth and depth of far-reaching change is everywhere apparent. One can find it in the book bags slung upon the backs of school children attending classes atop the highest and most remote mountain in Oman. It is represented in the TV antenna above a faded camel's hair tent of a nomad far away in the desert wastes of Saudi Arabia. It is in the brand new nylon net and the fiberglass finger-boat that Fujairah's fishermen use to catch their catch.

Eli Whitney's principle of interchangeable parts has come to Arabia. One will find one member of the Naim tribe serving as the Minister of Petroleum in Saudi Arabia, another as Minister of Foreign Affairs in the United Arab Emirates, and yet another as a public relations specialist in Qatar's Ministry of Information. It is not unusual for one to encounter one member of the Dosari tribe, which hails from the Wadi Dawasir in the central Arabian plateau, serving as Deputy Minister in Kuwait's Cabinet, another as Under-Secretary in Bahrain's Ministry of Foreign Affairs, and yet another as a leading professor at King Saud University in Riyadh. Some will say it has always been thus, that is was just that most outsiders were unaware of the extraordinary mobility and inter-marriage between and among the Peninsula's peoples dating back to an era that preceded the GCC.

For the skeptics who doubt that the GCC experiment has laid another, structured layer of identity atop these time-honored, more primordial associations of tribe and family that is not likely to disappear any time soon, they needn't go far. They need only

consider that more than half the region's citizenry cannot remember when their country did not belong to an organization fully their own yet far larger than their country – the GCC. For the past half decade, the overwhelming majority of GCC students have learned their English and math – key instruments for the region's future modernization and scientific and technological development – from textbooks that conform broadly to GCC-approved guidelines.

On matters pertaining to health, the environment, educational curricula, developmental planning, industrial schemes, currency convertibility, telecommunications, standardization of weights and measures, and so on, there now exists within the GCC region a sense of "us-ness" that, among any half a dozen other countries, has no counterpart elsewhere in the Arab world. In sum, this amounts to an evolving sense of de facto supranationality, the likes of which a previous generation's Arab nationalists only dreamed of and spoke about, but none came close to achieving.

An accepted vocabulary to describe adequately what the GCC has brought into being in terms of its "us-ness" does not exist. For lack of a better term, one hears instead the phrase, "the GCC way." Defying any precise definition, those who resonate to its implications agree that there is something distinctly different – a uniquely intra-GCC characteristic as to style and substance. At its core is almost incessant consultation between and among the member states' leaders and specialists in various fields. Close synonyms would be "slow but sure;" "cautious, careful, and conservative;" "modest, self-effacing, unpretentious;" "painstaking, persistent, persevering." Much of this, many would say, "sounds like a lot of empty rhetoric." More than a few in the region would agree, but as a key GCC policymaker has said to this writer more than once, "It's true we talk a lot and we're slow. But we're from the east, and that's our way."

In weighing what all this means, one would do well to keep in mind the analogy of six mountain climbers. As a team, the six can only go as far and as fast as the slowest one among them. For the frustrated who want to go faster and farther, an option, of course, is to sever their links to the one who is dragging his feet. This would only provide temporary respite. Among the remaining five, there would still be one who is less swift than the rest. One could then jettison that member, leaving four, and the problem would repeat itself. In other words, on a matter such as the question of unifying their external tariffs, as noted earlier, the six have elected to go forward as a group or not at all.

In spite of its slowness to act decisively in numerous areas, and its lack of consensus on numerous topics examined herein, the GCC manages to move ahead. For all its failures, the GCC remains the Arab world's most attractive economic club. Iran, Iraq, Jordan, and Yemen would all love to join. At the most recent summit, Yemen actually submitted a formal application to that effect. In so doing, the Sana'a government merely put its name at the head of an already existing want-to-be-invited list.

Even if those who would lobby for admission to the GCC end up being rebuffed, the prospects are moderate to good that an arrangement of some kind will be made wherein certain countries will win privileged, de facto associate status vis-a-vis the GCC. Egypt and Syria already enjoy such status. Morocco, too, is special. A NAFTA-like agreement linking the GCC economically to other regional countries or blocs cannot be ruled out at some point.

In these respects, the GCC can be likened to a bifurcated prism or a two-sided coin. On one side is a degree of self assurance born of the evidence that a great many Arab and other countries would openly clamor for membership if they thought there was even the remotest chance of their request being given favorable consideration. A similar sentiment is in the awareness among many in the GCC region that the number of their fellow citizens who are turning their backs on the member countries and emigrating is tinier than minuscule.

This single piece of empirically validated data is its own persuasive evidence that the GCC region, for all its blemishes, continues to fare comparatively well against any and all competitors elsewhere in the Middle East. Applying an exit-entrance test – the almost non-existent number of GCC citizens seeking to migrate and the inexhaustible number of Middle Easterners, South Asians, Africans, and others who would relocate to the GCC region in a nano-second if they had the chance – speaks volumes about how the six-state grouping is viewed by its fellow Arabs, Muslims, and others.

On the other side of the coin, anxiety prevails. Among its causes are the uncertain prospects of the GCC countries' dealing satisfactorily with, let alone prevailing over, the vagaries of international trade, investment, and technology transfer. Even more unnerving are the foreboding uncertainties related to the foreign policies, military prowess, and expansionist tendencies of their two Gulf neighbors, Iran and Iraq. Living as they do within one of the Middle East's most troubled neighborhoods, two watchwords are vigilance and an appreciation of the dynamic balance of tension that exists between and among opposing forces.

The anxiety dynamic alone dictates that the GCC countries hedge their bets. It acts as a brake on any inclination to put a great deal more trust just yet in a supranational authority, based in Riyadh, that, once empowered to do so, might be inclined to hurl thunderbolts of rules and regulations at the members. Such sentiments and uncertain feelings about the GCC's medium-to longer-range future prospects underscore the analytical debates within and among the members over the nature of their larger national identities and who will define and shape such identities.

In the interim, the Bahraini, the Emirati, the Kuwaiti, the Omani, the Qatari, and the Saudi Arabian will remain separated not just by resources and rulers, but also by boundaries demarcated mainly by Westerners and by historical-cultural differences deeply rooted in the past.

Further, the boundaries of several GCC countries – unlike those in the U.S. or most of Canada and Europe – remain unsettled, i.e., yet to be demarcated and ratified. The territories of each are accepted by the United Nations, but within these states where exactly does the desert border of one GCC country end as one travels to the edges and roams about the rim? Are the Bedouin tribes that wander across as many as three borders in the course of a year the citizens of one state more than another? Are the mariners who troll for fish as they and their forefathers have done since time immemorial to be expected to know where the maritime boundary of one country ends and another begins?

The Future of the GCC: Dream or Reality

Thus far, the intra-GCC debate over the question of “Whither the GCC?” has left insiders and outsiders in a state of suspended animation. For many, there is a palpable uncertainty as to whether the GCC should be viewed as an ambitious dream and experiment – one that can be likened to a glass that is half empty and filling -- or a realistic and practical entity – one that can be more fairly and accurately likened to a glass that is half full, albeit leaking.

The leitmotif of the critics’ complaint is that the 1981 GCC Charter’s formula for a boldly cooperative venture, and the member states’ 1984 commitment to establish a system of collective self-defense to enhance deterrence, appear to be little more than paper dreams. Yet to conclude thus would be to dismiss as inconsequential all the cooperation, as noted herein and elsewhere, that has occurred. It would also be to overlook the fact that, unlike the early 1990s’ Maastricht formula for European Union, there are as yet no calls for either the Charter’s re-negotiation or the pan-GCC armed forces’ dismemberment.

However weak and wary of greater commitment some member states may be at a given point in time, within the vast space stretching from Kuwait to the furthest reaches of Oman, no regions or sub-regions have rebelled, withdrawn, or even seriously spoken of secession. In spite of its slowness to act decisively in numerous areas, and its lack of consensus on the matter of external tariffs and the appropriate size as well as timeline for an enlarged collective defense force, the GCC has managed to move ahead.

The GCC countries’ behind-the-scenes role in solving some of their border disputes and in helping to further the Middle East peace process has proved that its members are not without abilities to function as effective peacemakers and much-valued mediators and consensus-builders in regional affairs.

However, peace in the Gulf or elsewhere in the Middle East is more than the absence of armed conflict. And effective cooperation is more than the pronouncements of press conferences and summit communiqués. In contrast with the pre-GCC era’s mode of

tribal and national identities, it is cross-border trade, investment, and joint commercial ventures. It is all the qualities that transform the previous era of jealousy and suspicion into trust and confidence, into shared concerns and reciprocity of respect, into complementarities of interest and mutuality of benefit.

In these qualities, however flawed and quarrelsome their state of unity may seem to date and may yet become, the GCC has come a remarkable distance. For all its setbacks and shortcomings, the six-state bloc approaches the millennium in substantially better shape than any other Arab grouping and is likely to remain so for quite some time to come.

As for the more distant future, the GCC region has within itself the means to become the developing world's premier economic power of the 21st century. To arrive at such a niche in regional and international affairs, however, will be the result of neither accident nor coincidence. It will most likely require the demonstration of a capability to go beyond the give and take of economic factors and forces, for adeptness in the arena of energy and financial resources alone does not a regional power make. Just as important is vision -- an ability to realize the interplay between and among a diverse array of factors and a capacity to foresee and devise a realistic approach to achieve what is feasible. Inseparable from vision, of course, is leadership. To realize the GCC's vision of a more secure, stable, and prosperous future for its peoples, the requisite degree of political will, a clearly articulated and broadly accepted view of the future, together with mechanisms that sufficiently represent the longings of its citizens, will need to emerge.

For the GCC to succeed in fulfilling its stated aspiration of arriving at a state of economic oneness, it seems inevitable that it will have to evolve to a greater degree of de facto or informal supra-nationality than is currently present or even over the horizon. This will entail the establishment of institutions responsible for dealing effectively with what one can expect to be increasing intra-GCC financial, legal, and political challenges.

In addition, as the most recent summit made amply clear, the six states' private sectors will need to play a growing role in the region's economic development. Ways must be found to repatriate to the members' economies the \$600-plus billion that GCC citizens have invested abroad. Ways must be found to channel a considerable portion of these monies into a pan-GCC network of communications and transportation, gas, other energy, and electricity grids. Once this is achieved, there can be little doubt that the GCC region -- for reasons having to do with far more than their comparative advantages in energy and finance -- will become synonymous with dynamism, not decline.

Looking even further ahead, the GCC will one way or another also have to work out a more mutually acceptable modus vivendi and operandi with Iran and Iraq. This need

not entail membership for either or both of these two neighboring behemoths. Neither the trust nor the confidence to consider any serious movement in this direction is anywhere in sight, nor is it likely to be in the immediately foreseeable future. Some would say, "if ever," and they may be right. But the absence of Iran and/or Iraq ought not to limit what the GCC, without them, has the chance to accomplish. After all, the security of Western Europe for half a century did not necessitate the integration of Bulgaria, Czechoslovakia, East Germany, Hungary, or Poland in order for the European Union to take root, evolve, and reach its present state of prosperity and promise.

It is also important to point out that Europe's defense, unlike the GCC's, was assured because of the North Atlantic Treaty Organization (NATO), with America at its core. In the run-up to the millennium, nothing remotely comparable, at least formally, holds out much prospect of being able to ensure Gulf security in the way that NATO secured western Europe.

Yet the security and defense issues have, on balance, progressed rather remarkably. Not having the requisite human resources, industry, or technology to build a credible system of deterrence and defense themselves, the GCC countries have had no choice but to do the next best thing: they have borrowed it from their Great Power allies and commercial partners. Leaving as little to chance as possible, they have also entered into defense cooperation agreements and done what they could to enhance their self-defense, producing an arrangement that is not entirely unlike NATO in its overall effect, but very much unlike NATO, is shorn of its legalities, headquarters, and bureaucracies.

Because a more formalized structure of regional security is unlikely, a closer relationship between the GCC countries and the two non-GCC Gulf countries – when, if ever, the timing and terms are better than the ones at present – may be prudent. Alternatively, the present members could proceed as they have been doing or, at some point, opt to rename their organization to reflect what it is and could continue to be without either Iran or Iraq having any legitimate say in its affairs: namely, an East Arabian Peninsula Cooperation Council.

As the name indicates, this would not necessarily entail the formal admission of, or anything other than a close, informal, and mutually beneficial relationship with, Yemen, which lies in the far southwest corner of Arabia. For the present and mid-term, Yemen's admission would be almost certain to detract from the still-evolving and much-prized collegiality, however imperfect, that exists among the founders. It would also deflect very substantially from the core defining criteria of the members to date. Those traits, as stipulated in the GCC's Charter, are their "special relations, common characteristics, and similar systems...."



H.H. Shaikh Hamad bin Khalifa Al-Thani reviews his closing statement to the final session of the 17th Annual GCC Heads of State Summit.

Each of the economic, political, and defense-related issues, and some of the analytically troublesome challenges discussed above will play a role in the immediate and long-term future of the GCC and its member countries. How well these six countries, as an increasingly cooperative group, will address the imperatives and some of the questions outlined in this report, on one hand, and how their principal friends, strategic allies, and economic and commercial partners will help or hinder them in their efforts to do so, on the other, will undoubtedly constitute some of the world's major challenges during the remaining years of this century.



Dr. John Duke Anthony, at the GCC Secretariat in Riyadh following the 17th Annual GCC Heads of State Summit, with GCC Secretary-General H.E. Shaikh Jamil bin Ibrahim Al-Hujailan (2nd from L), Assistant Secretary-General for Economic Affairs H.E. Dr. Abdulla Saleh Al-Khulaiifi, and Assistant Secretary-General for Political Affairs H.E. Dr. Abdulaziz Abdulrahman Buali.