The background of the cover features a low-angle photograph of the Kuwait Towers, which are tall, white, conical structures with large, dark, spherical tops. The towers are set against a bright, slightly cloudy sky. In the foreground, three flagpoles are visible, each flying a flag: the Kuwaiti national flag, the flag of the United Arab Emirates, and the flag of Saudi Arabia. The overall scene is brightly lit, suggesting a clear day.

The 18th GCC
Heads of State
Summit:

CONSULTATION
AND
CONSENSUS IN
KUWAIT

by

John Duke Anthony

December, 1997

US - GCC
CORPORATE
COOPERATION
COMMITTEE INC



US-GCC CORPORATE COOPERATION COMMITTEE, INC.

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The U.S.-GCC Corporate

Cooperation Committee comprises a growing number of major American multinational corporations. The Committee's objective is to enhance American awareness of the innumerable benefits to the United States from increased relations with the six GCC countries. Among the Committee's programs and activities are public affairs forums that inform American leaders and the public in general about the shared interests and common concerns between the U.S. and the GCC countries.

SEMINARS

1997 seminars addressed, among other topics, the 1997 International Defense Exhibition in Abu Dhabi; economic offsets in the GCC; comparative methods of international project finance; and Bahrain's and Kuwait's economic and political situations. In addition, the Committee co-sponsored the U.S. Mideast Policymakers Conference, which brought key public and private sector leaders from more than 14 countries together to discuss U.S. commercial, economic, defense, and political objectives in the region in the context of globalization.

PUBLICATIONS

The Committee also produces special reports and analyses for Member Companies, including **Occasional Papers**; **Gulf Link**, a quarterly newsletter; **Gulf Wire**, an e-mailed weekly update on business and political developments, and **Issue Briefs**, which provide hard-to-come-by analyses of topics overlooked by the media.

The 18th GCC Heads of State Summit:

**CONSULTATION AND
CONSENSUS IN KUWAIT**

by

John Duke Anthony

December, 1997

Dedicated to the Memory of

H.E. Mamun Kurdi (1942-1998)
GCC Special Representative for Commercial Negotiations

and Inscribed to

Kuwait's Missing People



Whose loved ones long for their return.



**THE 18th GCC HEADS OF STATE SUMMIT:
CONSULTATION AND CONSENSUS IN KUWAIT**

Table of Contents

ACKNOWLEDGMENTS

LIST OF ILLUSTRATIONS

GCC ECONOMIC ACCOMPLISHMENTS AND PROSPECTS	1
Bifurcated Lenses	2
The Founders' Goals.....	3
The GCC's Economic Unity Agreement.....	4
Incrementalism.....	4
Tariffs.....	5
Diametric Opposites: Saudi Arabia and the UAE.....	5
Creative Compensation	6
Integration Economics	6
Strategic Imperatives	7
World Trade Organization	7
Governmental Restrictions	8
Multinational Corporation Impediments	8
Electricity	9
Cross-Border Benefits.....	9
Gas.....	10
Planning.....	11
Legal Questions	12
Codes Unification	13
Scope and Focus.....	13
Banking	14
Emerging Mergers	15
Currency.....	16
The GCC's International Bank Expands	16
Financial Franchising.....	17
Entry and Exit Criteria	17
Gulf Investment Fund and Corporation	18
Privatization.....	19
Sources of Skepticism.....	19
Capitalization and Stock Markets.....	20
By Whose Standards?	21
Fees and Funds	22
The Future of Tax Holidays	22

Generating Power to Generate Power	23
Watering Down the Subsidies for Water.....	23
Tolls and Tickets	24
Rialpolitik	24
Foreign Investment	25
Economic Equity and Defense Needs	26
A 'Monroe Doctrine' for the GCC Region?.....	26
POLITICAL: Domestic	27
Oman as Catalyst	28
Stability's Components	28
Popular Participation.....	29
New Pan-GCC Consultative Council.....	30
Implications for Stability, Deterrence, and Defense.....	31
Continuity, Change, and History's Lessons	32
Stability's Internal and External Variables	32
The Domestic Component of Collective Defense.....	33
Radicalism in the Raiment of Religion	34
POLITICAL: External	35
Iraq.....	35
The Sanctions Conundrum	36
The Allied Coalition.....	37
A Different Perspective.....	38
Consistent Inconsistency	38
Alone Abroad	39
Different Standards	40
Kuwait's Case.....	41
Iran.....	41
Advantages and Drawbacks	41
Shadows and Doubts	42
Strategic or Tactical?	42
Strategic Requirements	43
Reasons for Caution.....	44
From Dialogue to Détente?	44
Damascus Declaration.....	45
Egypt and Syria	46
Arab-Israeli Conflict	47
"The Saddam Hussein of the West?" and... ..	48
...Washington as 'The Olympic Champion of Vetoes'?	48
Parallel Summity.....	49
'Peace Process' or "Diplomatic' Dialogue?	49
DEFENSE	50
Radar.....	50

Telecommunications	51
A UAE Boost	51
Geopolitical Determinants of Defense Procurement.....	52
France, Russia, and China	52
Creative Strategy	52
Over-the-Horizon Acquisitions	53
Third-Party Obstacles?.....	54
U.S. Central Command.....	54
Lessons from an Era and an Error	55
Remaining Engaged	56
SECURITY.....	57
The Challenges	57
Conceptual Confusion.....	58
Constants and Variables.....	59
Legal Measures.....	60
Outside Interference.....	61
Extremists and Terrorists: A Balance Sheet.....	61
The Challenge's Roots: Domestic and/or Foreign?	62
Strengthening Security Cooperation.....	62
Employment Issues	63
The Foreign Labor Variable	64
A Multi-Faceted Task	64
Hastening the Transformation	65
Relevant Models	66
Vision and Perspective.....	66
CONCLUSIONS.....	67
Images from the Rear View Mirror	68
Paralysis and Fear	68
Options and Implications.....	69
Foresight and Initiative.....	70
Opinion and Supposition.....	70
Unfinished Business	71
A Silver Living... ..	72
...Amidst a Clouded Skyscape	72
Possible Scenarios.....	73
A Glass Half Full and Filling, and... ..	73
...The Loneliness of the Long Distance Runner.....	74
Linking Infrastructure and Dreams	74
An Altered Landscape.....	75
A Different Present	76
By Way of Contrast	76

ABOUT THE AUTHOR

List of Illustrations

Maps:

Regional Map of the Gulf Cooperation Council (GCC).

Regional Map of the Middle East.

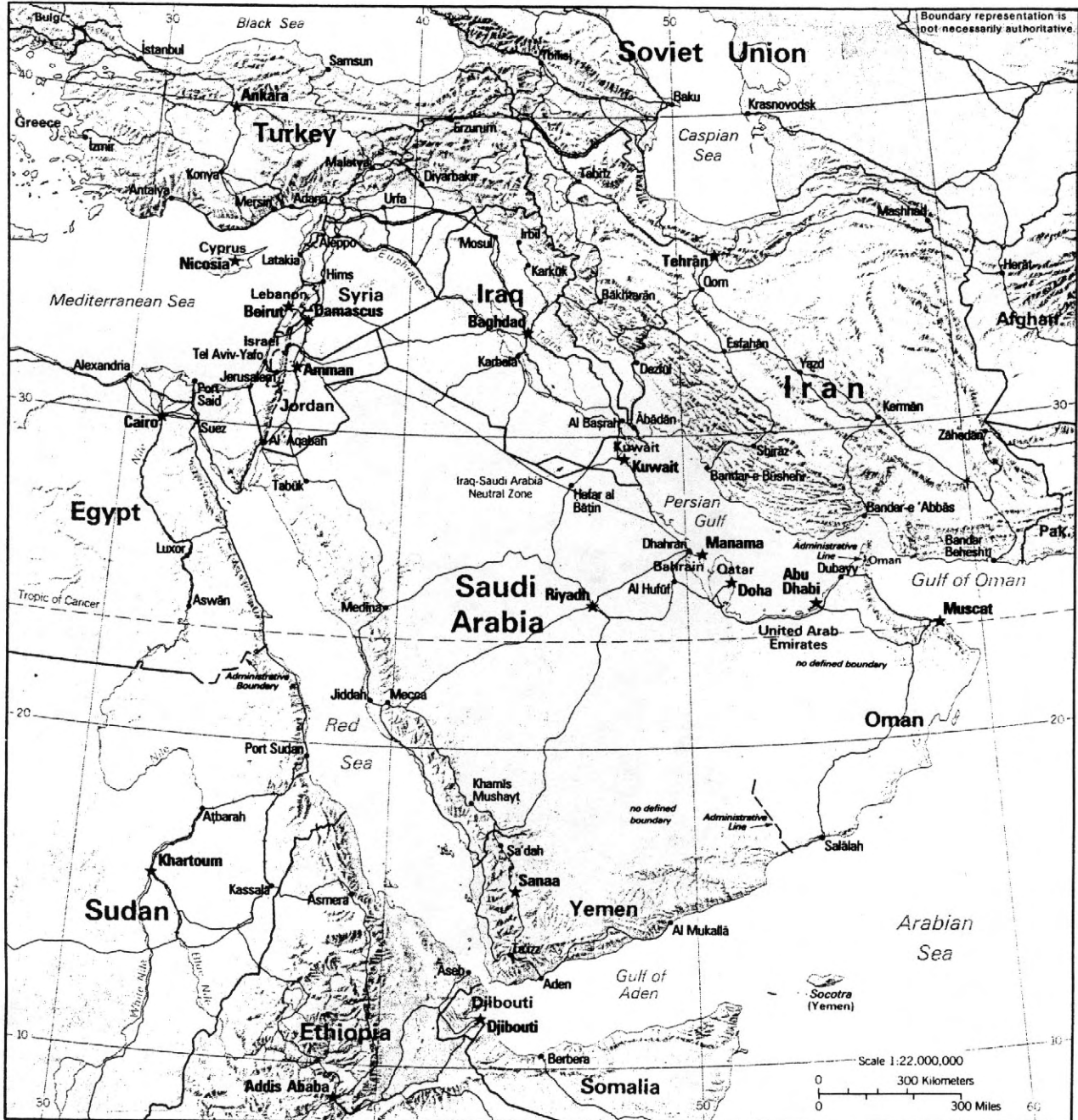
Continental Map of North Africa and the Middle East.

- 2. Members of the GCC Supreme Council.**
- 4. Members of the GCC Ministerial Council.**
- 6. Chairman of the Ministerial Council and GCC Secretariat Officials.**
- 12. Heirs Apparent (Crown Princes).**
- 14. Top Twenty Gulf Banks by Assets.**
- 20. GCC Countries' Technocrats.**
- 28. GCC Member States' Modernization and Urban Development.**
- 32. Islamic Heritage.**
- 40. GCC Members' Architecture, Arabesque Motifs, and Arabic Calligraphy.**
- 46. Antiquities.**
- 54. Military Readiness.**
- 64. The Changing Face of Expatriate Labor in the GCC Region.**
- 74. GCC Agriculture and Dairy Industries: The Road Toward Self-Reliance.**
- 76. Today's Children: The GCC Countries' Leaders of Tomorrow.**

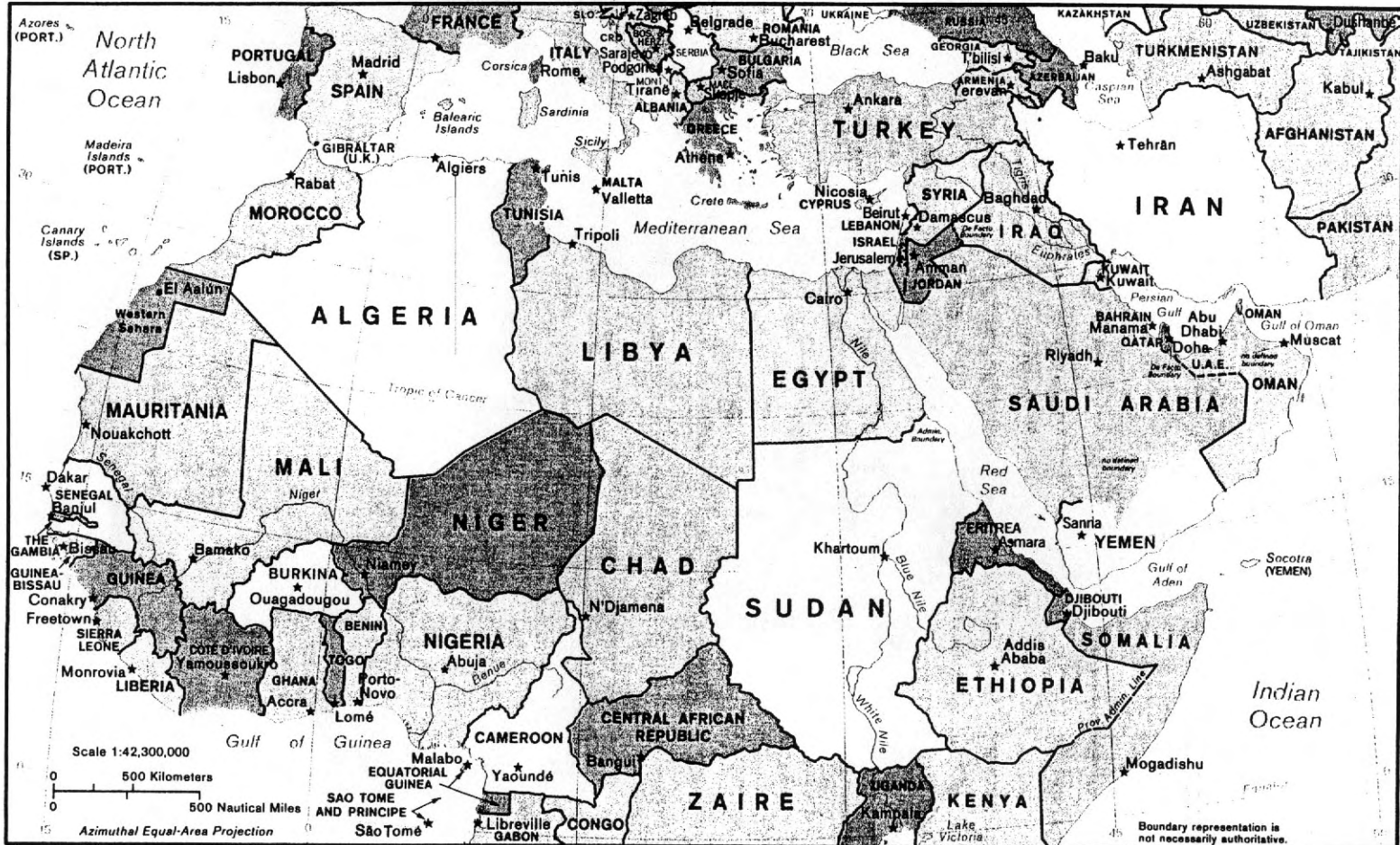
The Gulf Cooperation Council Region



Middle East



Northern Africa and the Middle East



CONSULTATION AND CONSENSUS IN KUWAIT

THE 18TH GCC HEADS OF STATE SUMMIT

by

John Duke Anthony

The December 1997 Heads of State Summit and the Ministerial Council session of the six Gulf Cooperation Council (GCC) states – Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates (UAE) – were two of the most productive GCC gatherings in years. In nearly five days of deliberations, the member states' leaders achieved important results on economic, political, defense, and security issues.

The sessions, held in the capital of member state Kuwait, were also among the best organized and administered of any in recent GCC history. Absent were the kinds of incidents that had occurred in previous years – for example, the 1996 boycott by Bahrain, the walkout by Qatar in 1995, and tires set afire by dissidents within view of the summit hall in Bahrain in 1994 – that had tarnished the GCC's image.

This report is based on the writer's direct observations made before and during the two sets of meetings. It also draws on conversations with representatives of the member states during the proceedings and in the course of additional meetings at the GCC Secretariat in Riyadh on the eve of the summit.

GCC ECONOMIC ACCOMPLISHMENTS AND PROGRESS

The economic, political, defense, and security issues which occupy the GCC countries' heads of state and foreign ministers at these annual meetings are, for the most part, standard agenda items from one summit to the next. Whenever a summit has convened in the context of an actual or impending regional conflict, or other kind of crisis, matters pertaining to defense and security have naturally received the greatest amount of attention. However, when this has not been the case, one of the summiteers' perennial priorities, and the major focus of the year-round work of the GCC Secretariat in Riyadh, has been to explore ways to further their economic cooperation.

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One reason for this focus is the GCC's Economic Unity Agreement (EUA) of 1981, the year the GCC was founded. It is the oldest pan-GCC agreement and the most ambitious and far-reaching GCC initiative to date. As the GCC is not a supra-national organization, and therefore lacks sovereignty of any kind, the agreement can be likened more to a

planning document, a set of blueprints and guidelines, than a legally binding document that compromises the member states' freedom of action.

A second reason why the focus on economic issues is of paramount interest is because, as one GCC foreign minister remarked, "it's the one area of our work that affects our people the most in terms of what they have and want us to protect, as well as in terms of what they don't yet have but want us to achieve. Moreover, it lends itself to measurement more than the other areas of focus, if only because it touches the private sector and the lives of ordinary people in a material way."

Bifurcated Lenses

This emphasis on economics comes as a surprise to many outsiders. Since the GCC's inception, many observers have had a radically different view of the GCC's genesis and its staying power to date. Many are single-issue journalists and military analysts whose primary responsibility is to monitor and report on conflicts and crises.

As a result, such observers have often insisted on viewing the organization mainly through the prism of impending turbulence or the imperatives of regional defense dynamics. This can be misleading. Yet, there is a reason for it: the GCC came into being in May 1981 in the shadow of the Iran-Iraq war, a conflict waged only minutes away that soon escalated and posed major defense challenges to the GCC states.

The GCC members' overriding need was understandably one of defense — the need to guard against the possibility of the war spreading to their side of the Gulf. Then, as now, the members, both collectively and individually, face an ongoing reality that is haunting and daunting: unaided by their friends, allies, and strategic partners, the GCC countries

...whenever matters of regional defense and domestic security have been relatively under control, the GCC countries' leaders have been able to focus on how to strengthen their economies both nationally and, where possible, collectively, with a view to being more effective competitors in the regional and global marketplace.

cannot defend themselves successfully against either Iran or Iraq.

However, whenever matters of regional defense and domestic security have been relatively under control, the GCC countries' leaders have been able to focus on how to strengthen their economies both nationally and, where possible, collectively, with a view to being more effective competitors in the regional and global marketplace. Notwithstanding the fact that the 1997 gathering of the GCC members' leaders was billed as the "Summit of Security," the final

outcome highlighted economic issues to a greater extent than other meetings in the recent past. As a result, the participants moved a significant distance further along the road the GCC founders charted in the beginning.

MEMBERS OF THE GCC SUPREME COUNCIL



*H.M. Sultan Qaboos
bin Said Al Bu Said,
Sultan of Oman.*



*H.H. Shaikh Jabr Al-Ahmad Al-Sabah,
Ruler of Kuwait, President,
GCC Supreme Council, 1997-1998.*



*H.R.H. King Fahd
bin 'Abd Al-'Aziz Al-Sa'ud,
King of Saudi Arabia.*



*H.H. Shaikh Isa
bin Salman Al-Khalifa,
Ruler of Bahrain.*

*H.H. Shaikh Zayid
bin Sultan Al-Nahyan,
President, United Arab Emirates.*

*H.H. Shaikh Hamad
bin Khalifa Al-Thani,
Ruler of Qatar.*



The Founders' Goals

It is important to note that the leaders who pointed the GCC countries in the direction of economic and other forms of cooperation were neither religious, radical, nor military. The founders were moderate-to-conservative monarchs: Kuwait's Shaikh Jabr, Saudi Arabia's Kings Khalid and then-Heir Apparent Fahd, Oman's Sultan Qaboos, the UAE's Shaikh Zayid, Bahrain's Shaikh Isa, and Qatar's Shaikh Khalifa. All but Khalid, who, upon his fatal heart attack in 1982, was succeeded as king by Fahd, and Shaikh Khalifa, who was replaced in June 1996 by his son, Shaikh Hamad, are still the rulers of their respective countries.

Each of these leaders was inspired by the idea that a grouping of their countries could become synonymous with peace and prosperity. They were convinced that this could come to pass not with a grand act of creation, but by a slow and steady accumulation of rules and regulations, policies and positions, attitudes and agreements, compromises and consensus. The goals of the founders would be reached through the region's time-honored tradition of consultation – not by the leaders alone but, more importantly, in the course of the tedious and tireless work of committees staffed by people of proven competence and comparable vision.

From the beginning, there was tacit admission by each of the founders that the pan-GCC edifice would be built over time through painstaking efforts and concrete achievements which strengthened their *de facto* solidarity.

...the founders, by dint of age-old custom and tradition, were instinctive practitioners of the art of consultation. They were consummate consensus builders, masters of administration by committee.

This careful but deliberate approach, which enshrined the values of consultation and consensus, was central to the founding document of the GCC, the May 25, 1981 Charter. The Charter was drafted mainly by Kuwait in close consultation with each of the other five countries, but especially Oman, Saudi Arabia, and the UAE. As an orienting framework, it served as the basis for a strategy to build the house of the GCC not with the wave of a wand, but with a stone mason's determined, step-by-step patience and perseverance.

The founders were not bereft of examples of how best to proceed. The European Union was one; the UAE, one of their members, was another. The UAE, formed in December 1971 out of the former Trucial States, is, among other things, a living example of what can be achieved in the area of pan-Arab integration schemes. In many ways, the UAE remains a microcosm of how far and how fast an experiment in Arab regional cooperation might realistically be expected to progress.

Given the checkered history of previous pan-Arab schemes that went awry or achieved very little, the GCC's first novelty was, therefore, its decision to avoid grand principles. Its leaders asked for authority over no one. But the founders, by dint of age-old custom

and tradition, were instinctive practitioners of the art of consultation. They were consummate consensus builders, masters of administration by committee. With these skills, they began the construction of what, by any standard, is the boldest attempt at Arab cooperation yet attempted.

The GCC's Economic Unity Agreement

The first stone in the foundation of the GCC's edifice was as undramatic as it was a prerequisite: the aforementioned Economic Unity Agreement (EUA). The EUA was the first of the "unities" that may eventually become the GCC's tangible unity. Thus far, excepting the members' modest collective defense force, known as *Dar al-Jazira*, or "Peninsula Shield" (see below), the EUA is the GCC's "unity" – in vision, at least, if not yet fully in actuality.

To date, the EUA has achieved an economic free-trade-zone among the GCC countries. Some 1,300 manufacturing establishments, in the member states, export their goods to the other five GCC countries duty free. As a group, the six are not yet able to trade duty free with their more important economic partners in Asia, Europe, and the U.S., but this is one of the organization's objectives.

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As a road map to the future, the EUA, blemishes and all, was designed to be as central to the region's growing prosperity as telecommunications and transportation and the further coordination and integration of their infrastructure and manufacturing capabilities.

Incrementalism

The EUA comprises 28 articles, but its essence is the freedom of movement for goods, people, services, and capital. It is less grand and detailed than the European Union's 1957 Treaty of Rome, which functions as the foundation of modern Europe's *modus operandi*. Even so, the EUA's simple declaration of principles in support of opening the member states' borders to one another, economically and commercially, suits the GCC region's developmental style of incrementalism. In this context, the EUA can be viewed as a kind of administrative trail marker that nudged, but did not shove, the GCC governments and their bureaucrats toward greater cooperation – through consultation and consensus – a process that continues to this day.

Two over-lapping goals are imbedded in the EUA. The first goal is the establishment of a broader and deeper community among peoples long divided by geography and, in several cases, by abiding mutual suspicion and distrust that have yet to run their course. The second goal is the construction of a set of building blocks for institutions, accords, and practices which would point the GCC country nationals in the direction of an increasingly shared future.

MEMBERS OF THE GCC MINISTERIAL COUNCIL



*H.E. Yusuf Alawi,
Oman's Foreign Minister.*



*H.H. Shaikh Sabah Al-Ahmad Al-Sabah,
Kuwait's Deputy Prime Minister,
Foreign Minister, and Chairman,
GCC Ministerial Council, 1997-1998.*



*H.R.H. Prince Saud Al-Faisal Al-Sa'ud
Saudi Arabia's Foreign Minister*



*H.E. Shaikh Muhammad
bin Mubarak Al-Khalifa,
Bahrain's Foreign Minister.*



*H.E. Rashid bin Abdulla Al-Naimi
The UAE's Foreign Minister*



*H.E. Shaikh Hamad
bin Jassim Al-Jabr Al-Thani,
Qatar's Foreign Minister.*

The innocuous tone and at times imprecise language used to define these goals were the cause of much dismissive and derisive comment by many outside observers when the GCC first came into existence. But the seemingly vague way in which the founders described the organization's objectives was deliberate. It had more to do with an attempt to avoid offending Iraq and Iran – although this happened anyway – than with the thought that truly meaningful and far-reaching economic cooperation would transpire overnight.

Tariffs

In the GCC's 1997 Kuwait Summit, the member states' leaders registered further progress toward the goal of unifying their external tariffs. That they did so was not by enactment of any specific measure so much as by renewing, for the record, their commitment to the objective. Out of 1,285 imported items to be grouped according to a specific category and rate of duty, approximately 300 categories of imports await classification. One outcome of the summit was the setting of a new target date for completing the classifications pursuant to reaching agreement on a unified external tariff system: January 1999.

Although major quantitative hurdles to achieving a unified accord on tariffs remain, a major qualitative change has occurred since last year's GCC summit. What had for years been one of the most vexing obstacles to reaching an agreement appears to have lessened substantially.

To wit: several summiteers reported that the United Arab Emirates (mainly the Emirate of Dubai) has become less intractable on the matter of whether it will allow its external tariffs to rise. If those who reported on the matter unofficially are correct, it appears that the UAE is now prepared to be flexible on this issue. The reason is primarily for the two-fold purpose of meeting the UAE's own economic needs, inclusive of Dubai's, and facilitating a pan-GCC accord – while reserving the right to implement decreases later, which, indeed, if an accord is reached, is expected.

An explanation is that, in order to enter into an agreement with the European Union (EU), the GCC must first achieve and maintain a common external tariff. For several years, the UAE and Saudi Arabia have disagreed over how to surmount what has increasingly become the over-arching obstacle to a pan-GCC agreement with the EU, a grouping of 15 countries, soon to be several more, with a growing consumer market in excess of 300 million.

Diametric Opposites: Saudi Arabia and the UAE

The region's preeminent industrial giant, Saudi Arabia, has indicated that its manufacturing sector will continue to need protection from older, more competitive international industries for the unforeseeable future. Dubai, in the UAE, on the other hand, is a trading state. As such, it requires a sustained policy of offering to its customers

the lowest possible level of tariffs in order for it to remain competitive *vis-à-vis* other, similarly situated, commercial centers, e.g., Colombo, Hong Kong, Singapore.

In contrast, Saudi Arabia, among other things, needs to lower its tariffs – from twelve to seven percent is the most frequently mentioned rate – in order to be admitted to the World Trade Organization (WTO). The UAE's application has already been accepted. To facilitate the Kingdom's entry into the WTO, Dubai's tariffs, according to this line of reasoning, and in keeping with various compromise formulas as well as compensatory schemes that have been proposed, would need only be raised to seven percent in order to bring the disparate tariff systems into agreement.

If and when an arrangement of this or of a similar nature is achieved, the GCC's member states will have surmounted the greatest remaining hurdle preventing the unification of their external tariffs and establishment of a customs union – the prerequisite for entering into a free trade agreement with the European Union.

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Creative Compensation

Theoretically at least, Dubai, as the far smaller and more vulnerable economy *vis-à-vis* the comparatively comprehensive Saudi Arabian economy, would be compensated for the costs to its economy in terms of higher prices – however short-term in nature – for imported goods. The reason is that Dubai, and similar ports elsewhere, tends to generate its income more from a high volume of low tariff imports and from re-exports than from high customs duties. Because of this, any arrangement that might eventually transpire may also need to compensate Dubai in the event it should incur various short-term trade losses.

The precise means, or mechanisms, through which Dubai could be compensated are not yet fully worked out. Even so, the broad outlines of some of the possibilities are discernible and were discussed on the sidelines at the Kuwait Summit.

Dubai has recently rid itself of what had for decades been an expensive economic undertaking. The Emirate has agreed to merge its UAE Armed Forces Central Command with the main body of the UAE Armed Forces in reality as opposed to the previous situation, which was in name only.

Integration Economics

The implications of the merger are greater than have been reported. In addition to the much welcomed boost to UAE national resilience and military effectiveness, the financial benefits for Dubai are very real and substantial. Henceforth, the Central Command's *de*

CHAIRMAN OF THE MINISTERIAL COUNCIL AND GCC
SECRETARIAT OFFICIALS



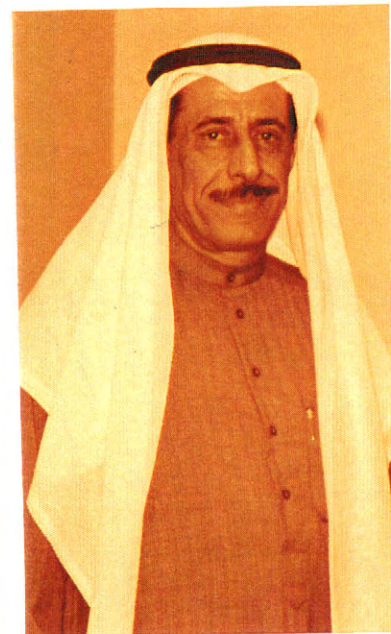
H.E. Shaikh Sabah Al-Ahmad Al-Sabah, Deputy Prime Minister, Minister of Foreign Affairs, and Chairman, GCC Ministerial Council, 1997-1998.



H.E. Shaikh Jamil Ibrahim Al-Hujeilan, GCC Secretary General.



H.E. Dr. Abdallah Saleh Al-Khulaifi, GCC Assistant Secretary General for Economic Affairs.



H.E. Dr. Hamad Al-Sulaiti, GCC Assistant Secretary General for Political Affairs.

facto paymaster will be Abu Dhabi, which will translate into considerable monetary savings – part of an unofficial compensation package – for Dubai.

In addition, Dubai is literally running out of gas to fuel its modest industrial projects. The options for replenishment of its gas supplies are few. The UAE Emirates of Sharjah and Umm Al-Qawain have gas, but nowhere near enough to meet Dubai's long-term needs.

Until recently, neighboring Oman was considered another possibility. But Oman has devised other uses for its gas: in part as a means to power its own, yet-to-be-launched,

...Dubai is literally running out of gas to fuel its modest industrial projects. The options for replenishment of its gas supplies are few. The UAE Emirates of Sharjah and Umm Al-Qawain have gas, but nowhere near enough to meet Dubai's long-term needs.

steel and other industries, and in part as a potentially more highly valued export to much larger and longer term buyers in East Asia and the Indian Subcontinent.

Qatar is also a possibility. Qatar and Dubai have long been close politically and economically. Branches of their respective ruling families are inter-married. The first bridge across Dubai's famous "Creek," in the 1960s, was a wedding gift from the Ruler of Qatar, one of whose daughters married a son

of the Ruler of Dubai. As recently as the early 1970s, Dubai and Qatar shared the same currency. Qatar has more than ample amounts of gas that could be an assured long-term source of supply to Dubai.

Strategic Imperatives

But in this instance, Qatar is in competition with Abu Dhabi, which also has prodigious amounts of gas. More importantly, unlike Qatar, Abu Dhabi has cash. Added to this is that Abu Dhabi's Ruler, Shaikh Zayid bin Sultan Al-Nahyan, has a different strategic perspective than Qatar, as Dubai is part of the UAE, whose economic and political cohesion Zayid, who is also the UAE's President, seeks to strengthen.

In sum, Qatar is no match for Abu Dhabi. The latter, as the UAE capital, for strategic reasons related to long-term stability and security, is determined to do whatever is necessary to forge a greater sense of unity among the seven emirates, for which meeting Dubai's basic economic needs is a major requirement. Abu Dhabi is able and prepared to underbid any and all competition in order to become the long-term supplier of Dubai's gas requirements. This is another way in which Dubai will be compensated.

World Trade Organization

Such intra-GCC wrangling and maneuvering is not taking place in a vacuum. In the shadow looms the aforementioned World Trade Organization (WTO). The UAE's application for membership has already been accepted. The clock on the ten-year

transition period has therefore begun and is set to expire in 2006. Saudi Arabia's passage into the world organization, by contrast, has yet to begin.

If the Kingdom passes the entry hurdle in 1998, it will have to have made the necessary adjustments to its economy, including the enactment of substantially lowered external tariff rates, by 2008. This will not be an easy task. Such matters never are. However, it should be possible given that Saudi Arabia has a far larger and more diversified economy than Dubai.

Governmental Restrictions

One GCC state minister noted that "too much is made of the tariffs issue as an impediment to increased trade between the member states and the outside world." In his view, "Too little is made of other obstacles, which are far more harmful to the expansion of business.

One of these, he pointed out, is governments. "The policies of our governments," he claimed, "restrict trade far more than tariffs." Asked to explain, he said, "Look at the list. Restrictions on ownership of land. Restrictions on foreign investment. Restrictions on equity in our energy industries. Restrictions in the area of agency laws. Intellectual property abuses. The lack of transparency. It's an extensive list. How can one say that the absence of a unified external tariff is the main obstacle to increasing trade among us or between us and others when restrictions such as these, which we have inflicted upon ourselves, continue to exist?"

Multinational Corporation Impediments

"But it is not just our governments," he said. "Multinational corporations are just as bad. For the most part, we have no choice but to accept their terms, as we need them very much. Through them, we gain valuable technical know-how. They help to enhance our international profile and credibility, which is very important. They bring important managerial expertise, from which we can learn a lot. They provide valuable opportunities for training. Most importantly, they provide access to international markets that we could not achieve on our own."

"Yet, at the same time," he said, "the multinationals leave us little choice but to do things their way. For example, a very large multinational company established a joint venture with one of our biggest commercial establishments. Its terms were very precise: 'the products produced will be for marketing only in the GCC states'.

"We didn't like this. But because there was no other alternative, we agreed. After a few years, though, we discovered that we could market our products very successfully in Europe. Yet when we raised the matter, the company said, 'no.' Instead, to keep us quiet, they said we could market the products in East Africa. We had no alternative but to accept their offer.

In terms of the broader international scene, what this will also make possible is significant. It will provide a means for intra-GCC and foreign investors alike to plan for far more ambitious GCC economic projects than before. Previously, the power requirements of a particular venture were limited to that which could be generated in the country where the project was located. Now it will be possible to plan projects with cross-border electricity requirements. In addition, countries such as Bahrain, which lack long-term sources of electric power, would be able to expand industrially by tapping into neighboring countries' electricity resources.

...the members seek to link their power grids externally. Such a scheme will make it possible for an electric power outage or shortage in one GCC state to be met by power supplied by one or more of the other states.

The GCC leaders' decision to link their countries' electric power grids was not an isolated event. The possibilities of doing something similar have been under serious discussion for quite some time elsewhere. Under the umbrella of the Cairo-based League of Arab States, a council comprised of Arab ministers and technical experts on electricity and electric power generation for industrial and related purposes meets on a regular basis. Its members, which include GCC country representatives, continue to explore ways to link the power grids of the Arab North African, the Nile Valley, and the Arab Fertile Crescent countries (Iraq, Jordan, Lebanon, Palestine, and Syria) to those in the GCC region.

Gas

There was no agreement at the summit on connecting the GCC states' gas distribution systems, which is another mega economic project that has been studied for quite some time. Even so, the agreement on electricity seems to have moved forward the day when such a scheme will become a reality. The reasons are clear. Both gas and electricity are linked to what will be possible in expanding GCC industrialization, desalination, and power generation in the future.

They are also related to what the GCC countries may be able to agree on regarding the goal of maximizing the individual members' comparative economic advantages. For example, it is not out of the question that Bahrain could one day reap the kinds of benefits from inexpensive gas that Abu Dhabi is likely to provide fellow emirate Dubai. However, it would make greater economic sense for Bahrain to receive its gas from its southern neighbor Qatar, as Qatar has far more gas than it could possibly hope to put to domestic industrial use for the next two centuries.

A representative of one of the GCC countries' oil companies confided to me that, "The official line is that the gas integration scheme cannot go forward at the present time mainly for reasons of its high capitalization costs and the continuing dispute" – involving mutually contested rights to sovereignty over a group of islands – "between Bahrain and Qatar.

“Yet the idea has great merit. Bahrain has no choice but to expand its electricity supply. Only thus will it be able to enhance the prospects for meeting its industrial development and job creation needs. To do this, it needs the cheapest possible power supply. Qatar has it.”

To be sure, Saudi Arabia also has significant gas deposits. The Kingdom is also on far better terms with Bahrain economically and politically than is Qatar. But Saudi Arabia has already indicated that, for the foreseeable future, it intends to use its gas reserves to meet its own industrial and electric power-generation requirements.

Planning

All six GCC states are in the midst of implementing ambitious but separate five-year development plans. At the individual country level, such plans, since their inception a quarter of a century ago, have provided a much needed strategic focus. Overall, they have made great contributions to the degree of growth and diversification achieved by the members' economies.

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Thus far, however, the plans have not been coordinated. The result, according to one GCC official, is that, “We’re not maximizing our potential. We could achieve far more if we could agree to devise our respective development plans in closer coordination with each other. As it is, we continue to see one state launch an effort in a particular area without seeming regard to the fact that another member is doing the same thing. This is worse than not being effective; it is wasteful.

“Sooner or later, and the sooner the better,” he continued, “we will reach the point where everyone will agree that, in the production of this or that item in the GCC region, Kuwait’s role will be to produce this part, Bahrain’s contribution will be in manufacturing that part, Qatar will be responsible for so many parts, and Oman, Saudi Arabia, and the UAE will also have roles of some kind.

“When we reach that stage,” he said, “our partners will have no choice but to take us seriously as a unified economic entity. We’ll have proved to them and to ourselves that we can do it. We’ll have reached the stage where no one will have any option other than to consider the six of us as one.

“Outsiders may say we’re dreaming. But that’s what I and a number of others are paid to do. How does that song go: ‘to reach the impossible dream?’ That’s my job. It’s that of many others in the GCC countries, too. How do we get there? It’ll take patience, of course. Lots of it. But that’s one resource of which we have plenty. You might even say we have a surplus. After all, we’re from the east, and that’s our way.”

Legal Questions

Legal issues were given a greater importance in this summit than in any other in recent memory. One reason has to do with the members' acknowledged need to tighten and streamline their civil and penal codes. In this and other ways, they hope to strengthen their cooperation and effectiveness not only in economic matters but, also, in the field of domestic security, about which more will be said below.

Another reason is addressed to their collective need to strengthen their ability to raise capital for the expansion of infrastructure and related development projects. More particularly, the need stems from acknowledgment of the crucial role that legal structures and systems can play in attracting or repelling intra-GCC as well as foreign investment.

For examples, the GCC countries' leaders have not had to look very far to find countries that face similar challenges. Nearly a decade on, such considerations form one of the most

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pervasive reasons for the reservations that many foreign investors have about investing in the Central Asian, Central and Eastern European, and other countries of the former Soviet Bloc. Hence, GCC economic and financial planners are keen to move as quickly and expeditiously as possible to put behind them this particular challenge to their future economic development.

The doubts and uncertainties that many foreigners have when they consider business opportunities abroad are substantial and legitimate. In this regard, GCC economists

and planners are well aware of the important, almost make or break role that the existence of a sound, fair, well-developed, and competently administered legal structure can have in persuading or dissuading a would-be investor from becoming involved in the region's economic development.

But in this instance, GCC legal issues are important not only to the needs and concerns of a potential foreign investor. Their importance applies almost equally to the GCC countries' own citizens who, as the saying goes, have "money to burn" – those whose private holdings abroad are conservatively estimated at more than \$400 billion. Both sets of investors require maximum clarity and effectiveness in the rules and regulations governing the protection and repatriation of any money they might invest in a commercial or other economic venture within the GCC region.

HEIRS APPARENT (CROWN PRINCES)



H.R.H. Prince Abdallah bin 'Abd Al-'Aziz Al-Sa'ud, Heir Apparent (Crown Prince), Deputy Prime Minister, and Commander, Saudi Arabian National Guard



H.H. Shaikh Saad Al-Abdallah Al-Sabah, Heir Apparent (Crown Prince) and Prime Minister of Kuwait

Codes Unification

For all these reasons, what the summiteers in Kuwait did was significant and far-reaching. They agreed to unify their civil and penal codes. Once this is done, there will be in place a system where, in theory at least, investor confidence should be heightened. Investors from one GCC country who might be attracted to an economic opportunity in another will be able to benefit from something that previously did not exist. They will have the added, potentially crucial, assurance of knowing in advance that they would be operating in a legal and judicial framework and system that is broadly similar, if not in many cases identical, to their own.

Some will ask in what ways does this represent an improvement over the existence of an already-existing, GCC-approved center for commercial disputes' resolution in Bahrain, to which some 630 international arbitrators are accredited. The answer is that the two structures are expected to complement, not conflict with, one another.

Scope and Focus

Moreover, the unification of two very significant components of the GCC countries' legal systems carries with it implications of an altogether different magnitude in terms of its scope and focus – it is far grander, much more comprehensive. Whereas the former relates almost exclusively to the peaceful settlement of business-related disputes, the latter touches issues that relate to nearly everyone – rich and poor, young and old, powerful and weak alike.

To be sure, matters of law and judicial procedure may seem to some as rather arcane and remote in comparison to other issues that are also of great importance to foreign investors: namely, GCC defense and security. However, in reality, what the GCC countries have agreed to do in the legal arena that relates to their economic needs and objectives also has important implications in these other areas. Nearly everywhere, and regardless of the field of endeavor, the laws of any country, and the systems and structures in place for their administration, have the potential to obstruct or advance the attainment of a broad range of objectives, including not only those of investors but others, of a different nature, of relevance to soldiers and police.

...the more the region's inhabitants become organized and act in accordance with a single code of law, the more the GCC countries' allies further afield will agree that these six states represent an increasingly resilient and united group with which to be reckoned.

Internally, the more the members project an image of "oneness" in a range of complementary fields, the more GCC citizens are likely to identify positively with a steady enlargement of their own – and their families', their country's – overall patrimony. Externally, the more the region's inhabitants become organized and act in accordance with

a single code of law, the more the GCC countries' allies further afield will agree that these six states represent an increasingly resilient and united group with which to be reckoned.

Banking

With regard to its banking sector, the GCC region is in far better shape than any other sub-region of the Arab countries, the Middle East, or the Islamic world. The Arab world's most profitable banks, and the banks with the largest assets, include those in the GCC's member states. According to a December 23, 1997 report by Robin Allen, in the *Financial Times*, 20% of the 22 Arab countries' 300 banks – most of which are located in the GCC region – control approximately 60% of all Arab bank assets. While each GCC country has at least one sizable bank, most of the larger and more liquid banks are in Saudi Arabia, Kuwait, and the UAE.

Top 20 Gulf Banks ranked by Assets						
	(US\$m n) Assets	Capita l Tier-1	Capita l Adequ acy Ratio %	Net Profit	Return %	
					Equity	Assets
Arab Banking Corp. 12/96	22,988	1,838	8.0	177	9.6	0.8
National Commercial Bank 9/97	22,631	2,244	10.0	244	11.0	1.0
Riyad Bank 9/97*	14,687	2,147	14.6	194	9.0	1.3
National Bank of Kuwait 12/96	13,066	1,181	9.0	238	20.0	1.8
Saudi American Bank 9/97*	12,209	1,358	11.0	207	15.2	1.7
Gulf Investment Corp. (Kuwait) 12/96	10,507	1,071	10.0	123	11.5	1.2
Al Rajhi Banking & Inv. Corp. 9/97	9,586	1,537	16.0	268	17.4	2.8
Arab National Bank (Saudi Arabia) 9/97*	9,043	845	9.3	104	12.3	1.0
Gulf Investment Bank (Bahrain) 12/96	8,983	653	7.3	95	14.5	1.0
Saudi British Bank 9/97*	8,903	857	9.6	110	13.0	1.2
National Bank of Abu Dhabi 12/96	7,731	568	7.3	89	15.6	1.0
Al-Bank Al-Saudi Al-Fransi 9/97*	7,672	738	9.6	87	12.0	1.0
National Bank of Dubai 12/96	6,154	980	16.0	99	10.0	1.6
Gulf Bank (Kuwait) 12/96	5,421	531	10.0	105	20.0	2.0
Saudi Holland Bank 9/97*	4,738	363	7.6	42	11.5	0.8
Kuwait Finance House 12/96	4,734	358	7.5	115	32.0	2.4
Qatar National Bank 12/96	4,474	731	16.3	91	12.4	2.0
Emirates Bank International (UAE) 12/96	4,300	578	13.4	105	18.0	2.4
Masreq Bank (UAE) 12/96	4,159	441	10.6	99	22.4	2.4
Abu Dhabi Commercial Bank 12/96	4,031	604	15.0	99	16.4	2.4

* Unaudited Figures
Source: *The Bankers' Almanac and MEED Money*

Yet, despite the impressive overall wealth that GCC countries' banks represent, and despite nearly two decades of intra-GCC economic and financial cooperation in other areas, GCC cross-border banking has hardly been a growth industry. Few banks in the member states have branches in other GCC countries. Although previous GCC summits agreed to allow banks to loan money to nationals in a GCC country other than where the bank's headquarters are located, few have done so. Like movement on the possibility of unifying their currencies and adopting a single unit of exchange for internal and external use alike – *i.e.*, the kinds of breakthroughs that have spurred the EU's gradual financial integration – trans-national banking has been slow to occur among the GCC's banking sectors.

Emerging Mergers

Here again, the absence to date of any substantial movement in the banking and financial areas noted is the result of multiple factors. One is the highly protected environment in which local banks in some GCC countries are allowed to operate. With major restrictions on foreign ownership, such banks have yet to face the cutting edge competition that foreign banks would introduce to the market. Here as elsewhere, in banking, as in other sectors of GCC economic life, pressures favoring the continuity of privilege remain a formidable force resistant to change.

Many GCC countries' banks have become accustomed to the comfort of confining their entire operations to the domestic market and profiting so well that the perceived need or desire to look for markets further afield is blunted. The Bahrain-Kuwait Bank and the Saudi Cairo Bank, among others, are exceptions, but they are unlikely to remain so for long. For these and other reasons, as the GCC countries open up more and more to foreign competition en route to accommodating the rules of the World Trade Organization, their banking sectors are likely to be the hardest hit – for example, by the requirements of stricter standards for accountability and transparency.

Among the GCC countries as a whole, in terms of the future, it is likely that a great many banks, out of necessity, will have to merge with others. Either that or they will be driven from the marketplace. To a limited degree, this has already begun. There are simply too many small, minimally capitalized banks in the region for anyone to expect them to be able to play the substantial role – as the financial arm of the private sector's increasing involvement in the GCC region's economic development – that virtually every GCC government envisions for them in the period ahead.

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Currency

On the issue of whether and, if so, when the member states will adopt a single currency — an issue of ongoing interest to investors and financial planners — nothing of significance transpired at the summit. Nor, in the eyes of GCC leaders, was there any reason that there should have.

The GCC countries' ministers of economy and finance, at a meeting earlier in the year, announced that the members do not see any compelling reason to switch to a single monetary unit in the immediately foreseeable future. Their stated rationale remains unassailable: their currencies are both sufficiently stable and readily convertible, as well as pegged mainly to one of the world's strongest currencies, the U.S. dollar.

The GCC's International Bank Expands

Regardless of whether the member states eventually unify their currencies, or the Saudi rial one day becomes a *de facto* super-currency, what was decided at the Kuwait Summit on a related matter will likely be looked back upon in the future as a major turning point in GCC economic integration.

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The significance of the decision regarding the GIB is several-fold. One, GCC states' depositors and borrowers alike will be able to avail themselves more easily of GIB's banking services. The banking needs of people and projects — of institutions and individuals — throughout the member states should benefit accordingly.

Second, there is a potentially important psychological dimension to this decision. One is increasingly likely to hear people in all the GCC states refer to the GIB as "*our bank*" or "*the GCC bank*." This, of course, has been the case in a technical sense for years, but, previously, the GIB was referred to in this regard mainly by people in its immediate surroundings — in heavily-banked Bahrain. By raising the GIB's presence and profile in the GCC's five other states, the goal of increasing a sense of GCC citizen ownership of the region's economic systems took another step forward.

Financial Franchising

The achievement of branch banking, or financial franchising, represents only a modest breakthrough for now. However, in the future, especially with regard to the GIB, the achievement, if it becomes a trend, could increase in importance, with possible positive implications beyond banking. For example, the GIB could evolve over time to having a role in meeting future pan-GCC centralized banking, fiscal, and monetary needs.

Moreover, whether through the GIB or the intra-regional expansion of national bank branches, it should henceforth be much easier than before for GCC business leaders to finance GCC cross-border trade, investment, and other commercial as well as industrial ventures. Previously, the pace and extent to which such projects were formulated and financed was slow in comparison to the need and potential benefit.

Notwithstanding the intent behind this decision, change occurs more slowly in reality than is often envisioned in the minds of GCC's visionaries and planners. In short, the weight of other countries' bureaucratic and legal impediments, combined with the force of habit and routine, are likely to preclude any phenomenal leap in the frequency of GCC cross-border banking overnight.

There are other reasons why the eagerness of many GCC citizens to invest their money in another GCC country is likely to continue to be lax. One is the region-wide perception that in other, mainly Western markets, such factors as economic and political stability, which are key to many investment decisions, are perceived as more readily assured.

Entry and Exit Criteria

A second reason for the limited degree of intra-GCC investment to date is that the rate of return upon a GCC citizen's foreign investments is often greater. A third reason, according to many, is that, when they invest in Asia, Europe, or the U.S., the accompanying bureaucratic hassles and headaches associated with placing investments in the more advanced industrialized countries' economies tend to be fewer. As one business leader who invests in the U.S. and Great Britain remarked, "I can get in and out quicker."

Until recently, a fourth reason, which the Kuwait Summit decision should help to redress, has been the relative absence, or low profile, of institutions such as the GIB, and the reluctance of many GCC members' banks to adopt an aggressive approach to financing pan-GCC business opportunities.

Over the years, a number of GIB economists and account managers have been held in high regard in the GCC region. At an early stage in the GCC's evolution, the GIB instituted a means for gathering and disseminating data about all six GCC countries' economies and finances. In the process, its database and

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accompanying analyses of the region's economic prospects were regularly consulted by planners and investors among the member states.

The GIB continues to provide objective insights regarding the member states' economic opportunities and challenges. It also charts various indices related to the region's ongoing modernization and development. All this might be of less significance to assessing the GCC's overall economic prospects were it not for the fact that the former, longtime GCC Assistant Secretary General for Economic Affairs, Dr. Abdallah El-Kuwaiz, a leading visionary and proponent of greater economic cooperation among the GCC countries, joined the GIB two years ago as its Managing Director.

Gulf Investment Fund and Corporation

In addition, closely linked to the GIB is its parent authority, the Kuwait-based Gulf Investment Fund (GIF), led by Saudi Arabian Dr. Khalid Al-Fayez. Initially capitalized in the amount of \$2.2 billion at the time of its formation at the 1982 GCC summit in Bahrain, the GIF has become an increasingly profitable institution.

A significant feature of the GIF's charter, from the outset, was the decision to forego being a development-oriented institution. To some GCC states, this came as a major disappointment. For example, Bahrain and Oman, which are less well-endowed financially than the other members, had hoped such an institution would be able to provide grants or heavily-discounted loans to members' development projects in need of low-cost financing.

The leaders of Kuwait, Saudi Arabia, and the UAE, however, took a different position. From their perspective, which prevailed at the end, the several already-existing GCC-based development institutions were, or should be, more than sufficient to address such needs. What was absent and desired, they argued, was a pan-GCC investment organization that, by design, would eschew charity in favor of earning revenue for its investors. The GIF would leave the work of financing infrastructure and related projects – e.g., roads, dams, clinics, etc. that, regardless of their merit, would be unable to return a respectable profit – to other institutions in the member states.

Furthermore, the Fund is different in that it has largely avoided the kinds of investment practices attributed to banking and investment institutions in the so-called Asian Tiger countries, *i.e.*, Indonesia, Malaysia, Singapore, South Korea, Taiwan, and Thailand. Instead, it has consistently favored projects, whether inside the GCC region – for which to date the profitable ones have been relatively few – or elsewhere that practically guarantee the investors a hefty return.

As a result, the GIF has repeatedly posted extraordinarily high annual rates of profitability. The investment acumen acquired in the process by investors and account managers is considerable and should bode well for the GCC's long-term economic

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needs, if mainly as a wholly-owned source of finance capital.

Privatization

The GCC Heads of State acknowledge that the concept of privatizing various state-owned economic assets has its merits. They recognize its potential to render enterprises more efficient, cost-effective, and competitive; to provide means for expansion that, for lack of government funds, might not otherwise occur; to attract inward flows of investment along with technology; to spur training and human resource development; and to broaden markets.

The leaders also recognize that the political component of any privatization process also has attractive aspects. They are conscious of a successful privatization program's potential to expand their citizens' share in their country's economy and, thereby, to achieve the goal of strengthening and expanding the middle class; to increase the opportunities and outlets for citizen input and other involvement in the country's development; to narrow the gap between society and its leaders with a view to enhancing political stability; and to transfer from the public to the private sector an increasing share of the responsibility and accountability for managing certain very complex and often costly undertakings, such as health services, electric power generation, telecommunications, and transportation.

Yet many of the leaders also view the challenge of how to design and implement a successful program of privatization as one that is fraught with complexity, for which, in the region's present stage of economic cooperation and development, conventional wisdom has no easy answers. Behind the moderately positive response to the challenge thus far is an innate sense of caution and the trend to favor the status quo unless it is broken beyond repair as well as the realization that privatization is often a long and arduous process, and – economically as well as socially and politically – hardly a risk-free course.

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Sources of Skepticism

In the GCC states, as in many other developing countries, the populations are often initially skeptical of outsiders' recommendations for change. This is especially the case when the recommendations are perceived as being in the outsider's interest. The propensity for caution combined with skepticism is often accentuated when the recommendation contains what even its proponents acknowledge to be potential economic, political, and social downsides in the short run.

It is easy for many outsiders to forget or overlook the fact that, until fairly recent times, much of present-day GCC society lived, at best, at the margins of modernization. The

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majority of the GCC countries' heads of state were born in an era when schools and hospitals were either non-existent or severely limited. As such, the leaders are much more likely to study the pros and cons of outsiders' recommendations at length than is the case in countries with older, more developed, and diverse economies.

Even so, the economic and political merits of a selective and cautious approach to privatization of some areas of actual or would-be economic activity have taken hold within the GCC region. Indeed, since the previous GCC summit in Qatar in December 1996, virtually every GCC country has registered progress in privatizing one or more components of and, in some instances, entire economic sectors.

Privatization of health services and transportation account for much of the success to date. Telecommunications and electric power generating plants are being privatized in Oman, Saudi Arabia, and the UAE. Some had thought such sectors as telecommunications might be declared off limits either for security or economic reasons.

Capitalization and Stock Markets

Member states' stock exchanges have exhibited steady positive growth. In 1997, virtually every GCC country's stock market recorded extraordinary records of profitability. None failed to post gains over the previous year's earnings of less than 25%. Oman's Muscat Stock Exchange posted a phenomenal 141% profit.

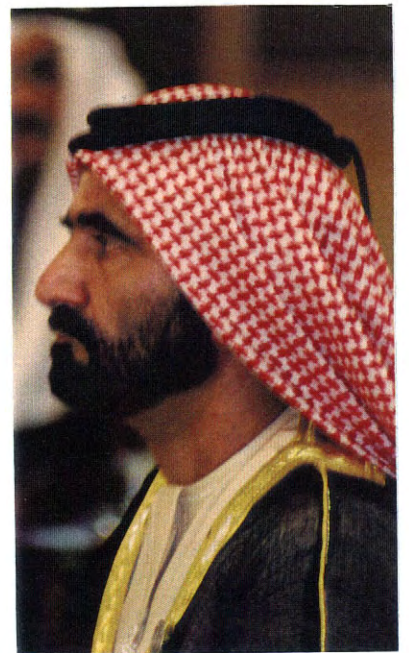
The most important reason for the GCC countries' 1997 stock markets' success is the increased income derived from the higher than budgeted price for the region's petroleum exports. This, in turn, enabled governments to spend money on economic expansion projects that had previously been postponed due to lack of funds. It also enhanced government liquidity, which made it possible to pay back moneys previously borrowed to finance budgetary deficits. The cumulative effect boosted investor confidence across the board, and this was reflected in the surge in stock market profitability.

But notwithstanding the vibrancy of the markets locally, the pace in which the GCC stock exchanges have expanded and opened up to outsiders has been slow compared to Western criteria. A big reason has to do with the influence of conservative elements among government authorities responsible for regulating the market exchanges. Such officials counsel caution. They are keen to study at greater length the lessons to be learned from the Asian financial crisis, which, they argue correctly, was caused in part by the extent to which Asian stock markets were open to foreign investment.

GCC COUNTRIES' TECHNOCRATS



Pictured here, clockwise, from top left, are H.E. Shaikh Nahyan bin Mubarak Al-Nahyan, UAE Minister of Higher Education, UAE University Chancellor, and UAE Higher Colleges of Science and Technology President; H.E. Suleiman Shaheen, Deputy Minister, Kuwait Ministry of Foreign Affairs; H.H. Shaikh Muhammad bin Rashid Al-Maktoum, Heir Apparent (Crown Prince), Emirate of Dubai and Minister of Defense, United Arab Emirates; King Fahd University of Petroleum and Minerals Vice-President Dr. Khedair Saud Khedair; and Jeddah, Saudi Arabia Historical District Preservation Director Mr. Sami Nuwar.



By Whose Standards?

It is Western standards that many of those seeking to develop the region's markets hope increasingly to emulate. Yet, owing to the limited depth and breadth of equity offerings available even to local investors in these countries, let alone to foreign investors, the day when one is likely to view GCC stock exchanges as synonymous with the volume and vibrancy of exchanges in the industrialized countries is some distance away. Nonetheless, visions of this nature remain part of GCC financial planners' long-run strategic objectives. In the interim, GCC countries' stock exchange managers will likely continue to pay special attention to the ratings that foreign financial analysts give their performances.

Saudi Arabia's exchange has, by far, the most assets of the six. However, in terms of dynamism and innovation, it is Oman's securities market that, in the past few years, has attracted the most positive attention by the international financial community. The Sultanate has attempted to generate additional sources of investment capital by liberalizing its economy in general and by increasing the degree of outsider participation in its stock market and other sectors of its development.

Bahrain has not been far behind, and Kuwait's exchange remains nearly as robust as ever. Moreover, in the past year, Bahrain and Kuwait agreed to cross list the stocks traded on their respective exchanges, a move that is soon likely to become a trend elsewhere in the region. Judged by these criteria, Saudi Arabia's exchange and the UAE's market, which, despite the vibrancy of the country's economy, operates without a trading floor, have lagged behind, while Qatar's is very small by comparison.

With an eye to the future, the nature of the GCC countries' economic reforms and further market liberalization measures are likely to become more multifaceted and widespread from this point forward. As the pace of the reforms increases along with the region's global competitiveness, the members' stock markets will likely play an increasingly pivotal role in raising capital for economic expansion throughout the GCC.

As to the pace and extent to which these markets will open up to foreign capital, the watchwords for the GCC members other than Bahrain and Oman – the two most in need of such investment and the ones that have opened up the most to foreign investors thus far – are likely to continue to be cautious and conservative. Accentuating the preference for

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adopting a go-slow, wait-and-see attitude on the part of some is the goal of avoiding, if at all possible, their markets and economies confronting crises comparable to those that have hit several Asian countries.

Fees and Funds

But stock markets and capitalization schemes alone will not be a panacea for setting the GCC countries' economies on course. At no point are they likely to be the principal factor in assessing a member state's prospects for economic development or its capacity to generate capital. Having a lot of gas and oil for sale – for which payment is made in hard currencies, for which there is a steady international demand, and upon which the GCC governments rely for the bulk of their revenues – will continue to count for far more.

This only highlights one of the many unique features of the GCC region's economic situation. By contrast, the need for governments in many other countries to raise additional sources of money for capital investment, or to meet recurring expenditures, is often met by taxation or the issuance of special bond issues and other debt instruments. However, a cardinal feature of the welfare state components of the GCC countries' economies to date – and, some would argue, one of the reasons for their social and political stability as well – has been the absence of such mechanisms.

The Future of Tax Holidays

At some point, to be sure, the seemingly endless tax holiday for the citizens of the GCC countries will come to an end and personal income taxes will be necessary. But, for now, even with the need for innovative ways to raise funds for deficit reduction and economic expansion, apart from taxes levied upon foreign companies and citizen payments into social security funds, there are no modern income tax systems in place in any of the GCC countries.

In lieu of enacting new taxation laws, GCC governments are increasingly giving serious consideration to devising – in some cases, as indicated below, they are already implementing – novel means of raising capital and reducing expenditures. As a result, several countries are generating capital and/or accumulating capital savings from reduced expenditures at levels that were heretofore thought impossible or ruled out on grounds of political prudence.

The funds acquired have made it possible, in some cases, to sustain or reduce expenditures for what were previously very expensive economic undertakings. Examples are the results from sharply reduced subsidies for gasoline, water, and electricity use as well as wheat production. In some cases, the money generated by requiring users to pay prices more reflective of the true economic costs for these items has provided the financial wherewithal to enable new ventures – for example, the modification and expansion of electric power plants – to commence.

In Oman, the government announced to the citizens, in effect, “If you have need for increased electric power-generating facilities, you need to know that the government will not be able to cover the costs, but you are free to proceed to do so through whatever financial arrangements you are able to make on your own.” A new twist to the phrase, “power to the people.”

Generating Power to Generate Power

The application of creative financing techniques to expand the region’s electric power-generating capabilities is particularly instructive in the case of Oman and Saudi Arabia. In the former, the government announced to the citizens, in effect, “If you have need for increased electric power-generating facilities, you need to know that the government will not be able to cover the costs, but you are free to proceed to do so through whatever financial arrangements you are able to make on your own.” A new twist to the phrase, “power to the people.” In short, Oman’s private sector is proceeding via its own means, and with the help of others, to expand the Sultanate’s electric power supplies.

Saudi Arabia’s approach is different. It combines a mix of government and private sector investment in some cases and, in others, a rather novel concept that began to be implemented several years ago. One of the Kingdom’s officials responsible for industrial development told me that the increase in rates for electricity usage in the Kingdom in recent years has already produced more than \$4 billion in additional government revenues.

“Every cent (or hallala),” he was quick to point out, “has gone into a separate, off-budget fund. The fund’s sole purpose is to defray the costs, which the government is increasingly unwilling to assume, of expanding the country’s electric power-generating capabilities. As a result,” he said, “the last four electric power-generating expansions and modifications have been paid for almost entirely by this fund.”

Watering Down the Subsidies for Water

Another Saudi Arabian official cited the benefits to government income flows and national savings that followed the Kingdom’s two-fold decision, several years ago, to raise prices for water consumption and reduce subsidies for wheat production. He said, “In lowering the wheat subsidy to only two-fifths what it was before, we went from producing more

than five million tons of wheat per year to the present level, which is a little more than a million.

“The consequence,” he said, “was a mixture of minuses and pluses. The minuses included the fact that a lot of farmers who had grown rich from the subsidy suddenly became angry. They asked, ‘How can you do this?’ The answer was that there was simply no way we could continue as before. Most of them know that and have accommodated.

“It also meant that we lost our place as the world’s sixth largest exporter of wheat. But the positive results are impressive. In the process, we generated billions in revenue that we didn’t have before. And we saved a tremendous amount of water that was being wasted. We also saved foreign aid as a result of the decision to stop using our excess wheat production as a form of economic assistance to other countries.”

Tolls and Tickets

Further insight into a range of creative ways under consideration for generating the resources necessary for new economic undertakings, or to sustain existing ones, is taking the form of applying user fees on certain services. “For example,” one GCC dreamer-schemer with whom this writer discussed the possibilities said, “take what we could do merely by charging a two rials fee” – approximately sixty six cents – “for everyone who drives along the road from Jeddah to Mecca. To those who would be asked to pay it, the amount would be a pittance. But, over time, the funds generated would be enormous. They would be enough to pay for all, or a considerable portion, of the Hajj (annual Islamic pilgrimage) each year. From one season to the next, this is a big expense that, until now, has long been completely paid for by the government.

“In order to do this, one would of course have to have a major information campaign explaining the reasons. If the people expected to pay the fee know that the totality of the money collected will go into a special fund to be used solely to administer the Hajj, and to upgrade the facilities and services extended to the pilgrims, the likelihood is not only that no one will mind; most would see it as part of their duty. Practically everyone would feel a sense of pride in having played a part, however small, in enabling others to perform the Hajj.

Rialpolitik

“Applying the same concept,” he continued, “one could charge two rials to everyone who attends a football game in one of the public stadiums. Here again, the need for a national awareness campaign explaining the reasons would be obvious. Over time, such a small fee would enable the government to acquire billions of rials with which to finance the building of new stadiums and sports clubs. As it is, the public has grown accustomed to expecting the government to come up with the money to do these things.

“And, to give another example, if everyone who uses the international airport terminals were required to pay a ten rial departure fee – as Bahrain’s airport and many other airports in the Arab world require – additional billions would be generated. Such monies could be applied towards future expenditures for improving the airports’ facilities and services. The revenue generated could be used to free up scarce government capital for investment in other sectors.”

These are but a few windows affording insight into some of the creative thinking going on among economists and others in the GCC countries. In short, many GCC financial planners, investment strategists, and others take issue with many Westerners’ tendency to dismiss, or not view seriously, the capacity of GCC countries’ leaders to devise a diverse and innovative array of techniques to enhance their countries’ and the region’s economic prospects.

Intra-GCC economic planners are among the first to acknowledge that the way forward will not be easy. They admit that they need to rely more and more on what they and other GCC nationals can do themselves, as illustrated in some of the examples cited herein, to solve the capitalization and related challenges for sustaining, and where possible, expanding the member states’ economic growth.

Foreign Investment

Not surprisingly, the GCC members with the lowest cash flows – Bahrain, Oman, and Qatar – are ahead of the others in terms of increasing incentives to attract sources of outside capital for development. To this end, all three for quite some time – Qatar more recently than the others – have permitted varying degrees of foreign equity participation in their energy industries and other sectors of their economies. Recently, they raised the ceiling on such investments beyond what was previously allowed.

By contrast, the three most “liquid” GCC countries – Kuwait, Saudi Arabia, and the UAE – are of the view that, apart from increasing the number of joint commercial ventures with foreign firms, their needs are not yet such as to warrant opening up the flood gates to inward equity investment in their stock markets. To be sure, the number of exceptions is increasing. But the standard 49% foreign-51% local ownership formula continues to hold in most instances. In a different category of investment and economic operation, foreign companies of a certain level of capitalization are allowed to operate in the UAE’s several “free zones,” and in Bahrain’s and Oman’s as well, with extended tax-free benefits as well as up to 100% foreign ownership.

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Four sectors remain largely closed to such ownership: oil, gas, land, and, to a lesser extent, banking. Even so, the time may be drawing near when the question of whether to allow foreign investment, in even these hallowed sectors, will be revisited at the level of national policymaking. Already, there has been an increase in the level and extent of meetings and discussion of such concepts in principle among the elites of Kuwait and Saudi Arabia. Indeed, at the Kuwait summit, there was agreement that the member states must continue the work already underway in preparation for what, one day, may become a pan-GCC investment law.

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The reasons need not only be related to the economic and political ones mentioned. The merits of such a liberalized law – or at least the adoption of a common legal framework for encouraging and protecting foreign investment – can be viewed from a different perspective. This writer endorses the economic and political rationales but, for the sake of argument, adds another, potentially more powerful, dimension: enhanced national and regional defense.

Economic Equity and Defense Needs

If select foreign powers are allowed to become more engaged in the development and production of the member states' energy industries, these powers would more likely be certain to see that the GCC region's defense is assured. They would be likely to do this not merely to protect their investment, but because the very nature of the investment would be directly related to their national defense and economic interests.

The three countries that would be the most eager to enter into such mutually beneficial arrangements with the GCC countries are the ones that are already the most involved in the GCC region's energy industries: the United States, Great Britain, and France. In terms of the overriding collective defense needs that could be served, an argument could be made that there is merit in inclusivity, which, in this case, would entail making room for China and Russia. In such a manner, the five UN Security Council members, each of which has veto powers, would have a direct, tangible, vested interest in GCC peace, stability, and defense, the likes of which has never before existed.

A 'Monroe Doctrine' for the GCC Region?

Not only militarily, but also politically and economically, an arrangement of this nature could become the most effective deterrence and defense system the Gulf has ever had. Extended beyond Britain and France to include China and Russia, and keying off the over-arching hemispheric concept that has long determined deterrence and defense in the

Caribbean, the arrangement would be akin to casting an Arabian Monroe Doctrine over what is, by far, the world's largest proven source of energy.

In a global context, it would be akin to taking the UNESCO concept – of proclaiming that a particular archaeological or cultural treasure is henceforth to be protected in perpetuity for the benefit of all humankind – and applying it to the GCC region, for the reason that its resources are indisputably vital to the material well-being of everyone.

However attractive the analytical merits of this idea may be, one should not underestimate the power of forces likely to be opposed to it. Because the GCC's energy resources are almost certain to remain a vital strategic commodity far into the future, the countries that presently enjoy a comparative advantage *vis-à-vis* others in terms of their access to it – namely, the U.S., Great Britain, France, and Japan – are likely to oppose such an idea for reasons pertaining to their own self interests.

These countries would be understood if they failed to view, with favor, an idea that envisages sharing a strategic resource that is at once finite and depletable, as well as of vital economic and national defense importance, with others who are not similarly situated. The weight in favor of continuing the overall status quo in this instance would likely be considerable. One is already seeing the extent to which France and Russia, in particular, are eager to change a considerable portion of the energy and other economic status quo as pertains to Iran and Iraq. Yet, the rub is that it is not Iran or Iraq that need protecting so much, if at all, as the GCC countries.

For this reason alone, the perceived imperative of finding a means to make defending the Gulf at once less costly and more collectively assured would suggest that such a concept needs to be examined further. The purpose would be to ascertain in some detail what potential positive prospects such a novel arrangement – giving each of the Permanent Members of the UN Security Council a direct stake in the GCC region's economic well-being and protection – may hold for a differently configured and possibly more assured system of Gulf stability and defense in the future.

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POLITICAL: Domestic

At their meetings in Kuwait, the member states' leaders addressed political issues at considerable length. The reasons were clear. In the minds of many GCC leaders, the synergistic link between greater GCC economic integration, on one hand, and the

prospects for enhanced political stability and domestic security within and among the member states, on the other, is perceived as being closer than ever before.

For some, this is welcomed news, for the relationship between domestic politics and a host of other societal issues is perceived in many quarters to have been one of the slower and, to date, more elusive topics of consensus within the GCC. As much of the earlier GCC states' momentum in this area coincided with the onset of *glasnost* and the liberalization and political reform that subsequently swept the former Central and East European states, this was understandable.

Oman as Catalyst

It was partly in this context, and partly in reaction to Iran's ongoing efforts to destabilize various GCC polities from 1979 onwards, that, at the 1989 Summit in Muscat, Omani host Sultan Qaboos took the initiative to address this topic head-on. Qaboos made a special effort to persuade his colleagues of the need to consider what was happening in the former Soviet Bloc countries' political systems in terms of its possible implications for the GCC states.

Many of the other member countries' leaders were uncertain that this was, or in time would be, the case. However, in deference to the Omani ruler's strong views on the matter, and also out of recognition that he had so often been right in his assessment of other controversial issues, the summitters acquiesced to Qaboos' willingness to take the initiative. They agreed to appoint a three-country commission, headed by Oman and also comprised of Bahrain and Kuwait, to investigate the possible implications and report back to the members.

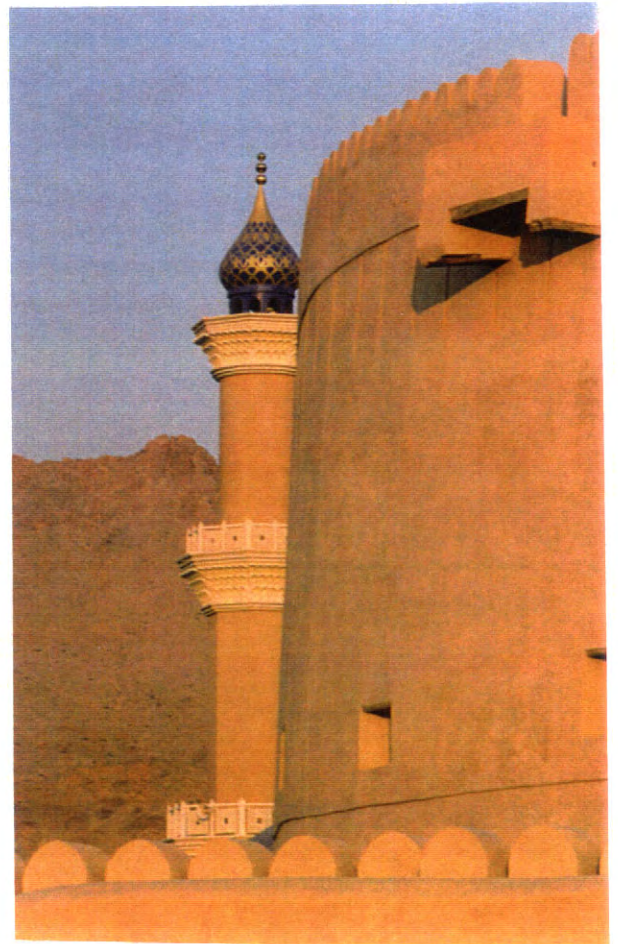
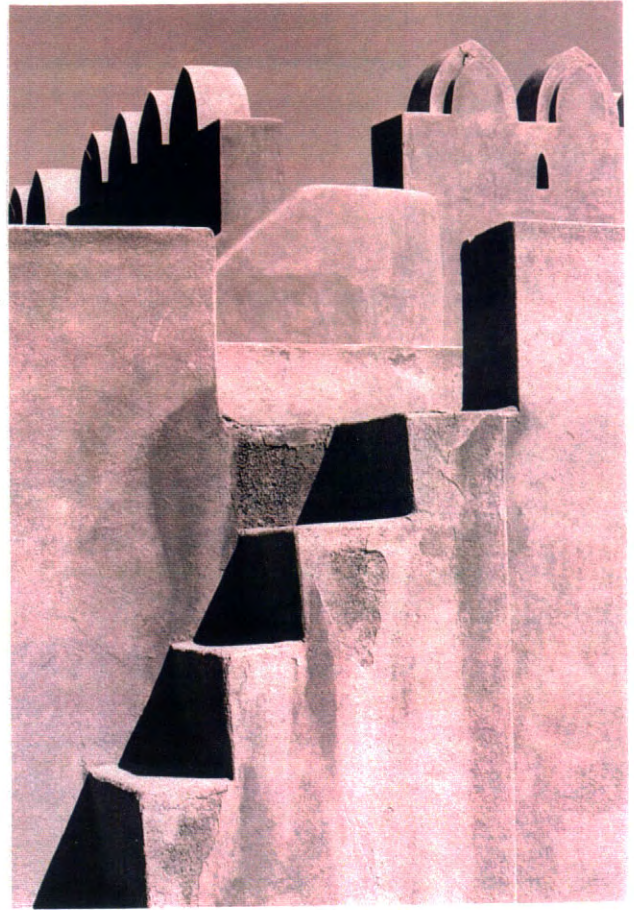
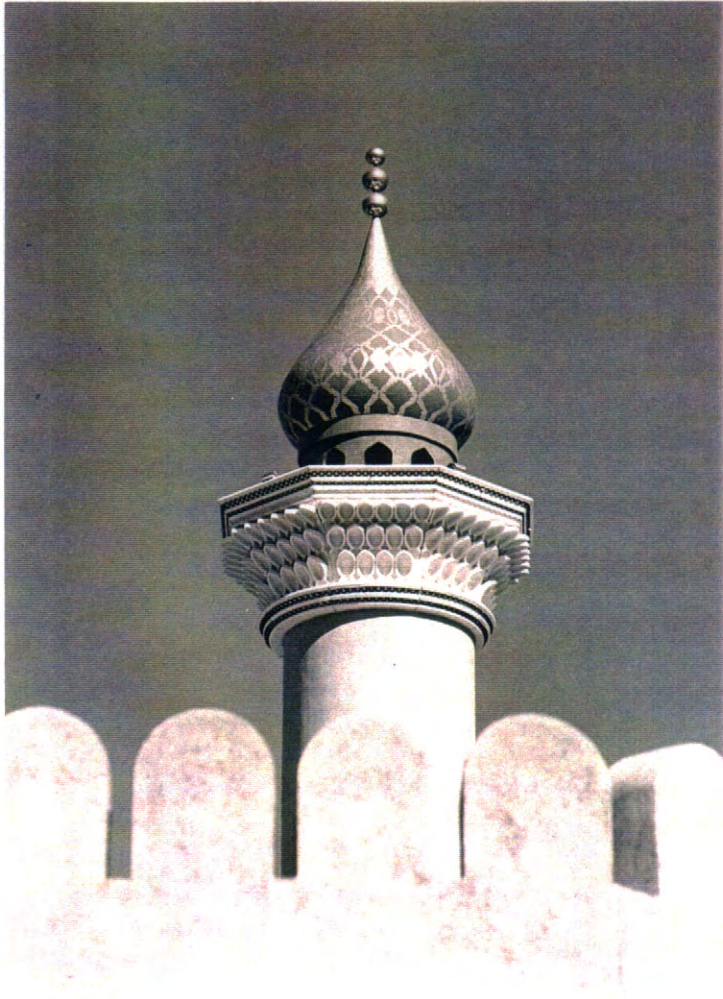
This writer met with members of the commission before, during, and after its nearly year-long work. Their viewpoints varied as to the imminent likelihood of comparable political forces being unleashed in the GCC region. Yet, of all the opinions aired by the many who had something to say about the phenomenon, it was Oman's view — that there was indeed a linkage, if only perceptually, and the member states had no choice but to deal with its implications — that proved the most persuasive.

Since that time, Oman has moved the fastest and, to date, the farthest in implementing political reforms. Many of the other GCC countries' leaders unofficially concede that Oman's approach to political reform — both in its nature as well as in its pace and extent — is the one they admire the most.

Stability's Components

Oman's perspective on the determinants of political stability, summarized, embraces a three-fold concept. At its core is an acknowledgment that the stability of virtually all polities is determined more or less on how well governments address, in the eyes of their citizens, a combination of needs in three areas: (1) internal security, (2) external defense,

ISLAMIC HERITAGE



and (3) a steadily improving or stable standard of living. Governments that satisfactorily address all three needs are likely to be stable polities; those that fail to do so are either inherently unstable or are headed in that direction.

Each of the GCC countries is engaged in efforts to be judged successful by these and other criteria. In the process, a consensus has evolved that Oman's analysis and prescription is correct. As a result, there is now in place among the member states' leaders a mindset that stipulates the following: if the strategic goal is enhanced political stability and domestic security, then progress in each of these three areas must be palpable.

A GCC official directly involved in these matters explained the parameters of what the members seek to achieve in the area of political stability. "The domestic political

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challenge," he said, "and much of our national security challenge as well, embrace both a horizontal and a vertical dimension. The former," he stressed, "is already well underway. It consists of Defense Cooperation Agreements and

related military understandings and undertakings between the GCC countries and our major defense partners.

"The latter," he said, "is taking place within each of the GCC countries. It is aimed at narrowing the gap between leaders and their constituents. We seek to close any space, whether actual or perceived, between the two that might tempt an intrusion by outside forces. In this regard, we learned a lot from what happened prior to the invasion of Kuwait.

"Our goal is to remove any basis for an Iraqi, Iranian, or anyone else to believe that internal circumstances among us might warrant a policy of threat or other intimidation." The attainment of greater vertical integration between and among the various social strata within the member states, according to this line of reasoning, will make for greater national strength and resilience of each of the GCC's units.

On the horizontal front, numerous Defense Cooperation Agreements or similar agreements and understandings have been signed or entered into between the GCC states and the five Permanent Members of the UN Security Council: China, France, Great Britain, Russia, and the United States. Add to these arrangements the elements of training, joint maneuvers, defense equipment procurement, infrastructure construction, systems acquisition, and the sharing of information, and one has gone a long way towards enhancing the member countries' legitimate defense needs.

Popular Participation

The vertical component, internal security, is in many ways the more complex of the challenges that must be faced if the goal of political stability is to be secured from within.

As one of the member states' leading political strategists explained, "The goal is to give citizens a sense of greater ownership of and identification with the existing governmental systems. If most citizens perceive their government to be doing a reasonably good job, we think they will likely be supportive of, not in opposition to, their governments.

"Key to earning their support," he continued, "is increasing their sense of participation and stake within the system. There is no one way to do this. There are many. But the point is to get the people involved in one way or another. Let them share in the responsibility, and also some of the blame, for issues that affect our and their lives. There is a great deal that can be done and needs to be done in this area.

"The important point is that we have begun and that we're serious. It will take a long time. But with each step, the overall stability of our governments should be enhanced. We cannot allow a vacuum to exist. We must do all that we can to close the cracks and holes through which outsiders might seek to meddle and interfere in pursuit of their interests, not ours."

It is in this way that virtually all of the GCC countries' governments have taken steps to broaden the quantity and quality of participation in their national development processes. In this regard, the Kuwait Summit was unique: it marked a watershed in pan-GCC consensus on political issues. The leaders agreed that the time has come to allow a significantly higher level of citizen input and comment on matters of interest and concern to the members as a whole.

New Pan-GCC Consultative Council

To this end, the GCC's Supreme Council, which consists of the six states' rulers, agreed to the establishment of a pan-GCC Consultative Council comprised of 30 members, five from each GCC state. The councilors will have authority to weigh and deliberate whatever issues the Supreme Council may refer to them. The heads of state were especially keen to emphasize that the new assembly must not become encumbered with administrative or bureaucratic obstacles that could impair its work.

The assembly's members, they stressed, would be chosen from the ranks of those among the citizenry who have broad experience in dealing with matters of public importance. Although it was not explicitly stated, various summiteers indicated that none of the Consultative Council's members will come from the region's ruling families.

The establishment of the Consultative Council will add yet another political participation forum to the six national (and in Saudi Arabia ten regional/provincial) ones that already exist. These other political bodies are either directly elected (Kuwait), partially-elected (Oman and Qatar), or appointed (Bahrain, Saudi Arabia, and the UAE).

If the topics deliberated by these assemblies to date are any guide, the GCC councilors' responsibilities are likely to encompass, among other things, economics, commerce, finance, education, social services, and legal matters — issues that cover a wide swath of citizen needs and expectations.

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Shaikh Jabr of Kuwait, the GCC member with the longest tradition and experience of supporting a parliamentary system, advanced the idea of a GCC Consultative Council at last year's summit in Doha, Qatar. Shortly afterwards, Kuwait hosted a meeting of representatives from all six GCC countries' consultative assemblies.

Implications for Stability, Deterrence, and Defense

The reasons for highlighting the nature and extent of intra-GCC progress on the domestic political front are several-fold. First, the phenomenon has been under-reported in the West, including the United States, where there is a pressing need to enhance American — especially Congressional and media — awareness of such developments.

Second, it illuminates the way in which the six countries' leaders have taken steps to enhance the region's overall stability and, hence, its defense. Third, it underscores the seriousness of the GCC experiment.

...what is taking place on the domestic front within each of the GCC states and, now, all of them as a whole, has the potential to enhance political stability and internal security in the future.

To this end, it gives tangible evidence of the GCC as an enterprise that is vibrant and pioneering, that is aimed at addressing real regional requirements, that is increasingly relevant to the needs and concerns of its citizenry, and that continues to seek more effective ways to enhance intra-GCC

cooperation and development for specific, consensually agreed objectives.

But the GCC's domestic political reforms are also important for another reason. This is the way in which what is taking place on the domestic front within each of the GCC states and, now, all of them as a whole, has the potential to enhance political stability and internal security in the future.

Continuity, Change, and History's Lessons

The needs, concerns, and interests of any allies – and certainly the convictions, commitments, and national priorities of their leaders – may change over time. All the defense cooperation agreements, and all the pre-positioning, training, exercising, and information sharing possible, all the mobilizations and deployments of allied countries' armed forces – the horizontal, external components of Gulf defense – will come to naught if domestic stability is not also assured. With the exception of those aspects of their foreign policies that may exacerbate or alleviate existing political strains, the challenge of securing and maintaining this latter component of political stability, at the operational level, is likely to remain beyond the reach of allied coalition defense planners.

On the other hand, what allied coalition countries' planners agree upon as appropriate regional and bilateral defense policies can indeed have, and have had, an impact on such matters as intra-GCC political stability and domestic tranquillity. U.S. covert involvement with Israel in arming Iran during the Iran-Iraq war – a major conflict that had a disastrous effect on stability throughout the Gulf – is a dramatic case in point.

When the story of the U.S.-Israel-Iran-Contra scandal broke, the immediate impact, beyond causing acute embarrassment to each of America's Arab allies, occasioned a profound diminution of trust and confidence among the GCC members in U.S. credibility and intentions unlike any in the history of American involvement in the region. Barely days afterwards, Kuwait's Government asked the Soviet Union if it would help protect Kuwaiti shipping against Iranian attacks.

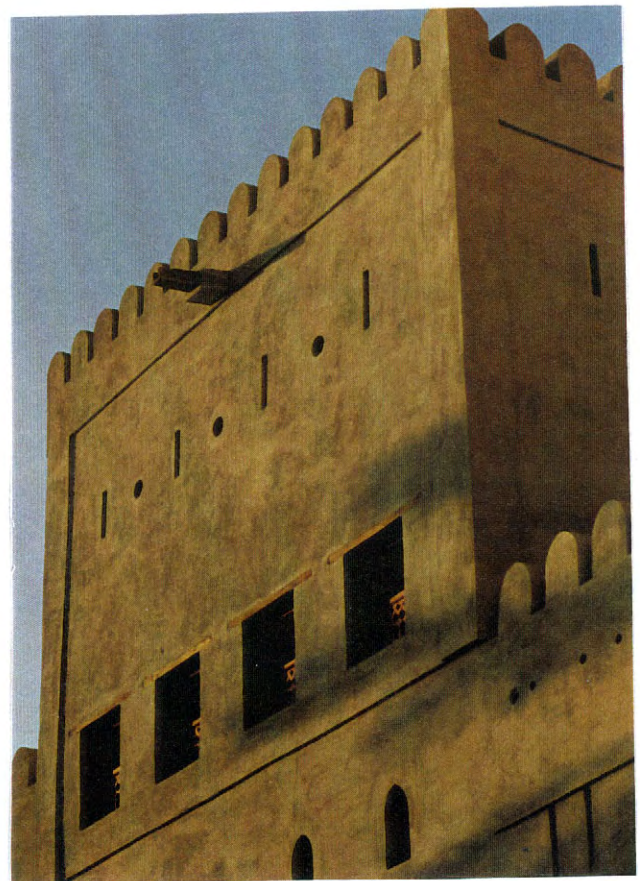
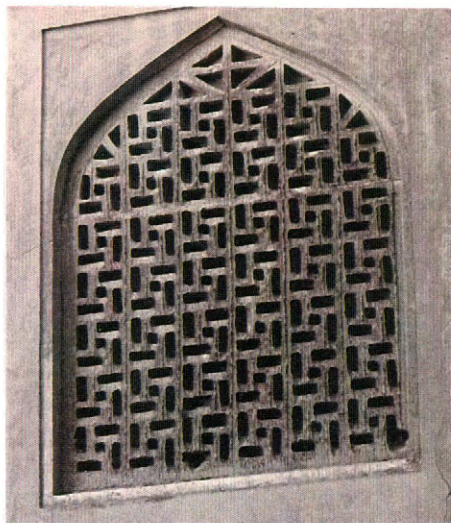
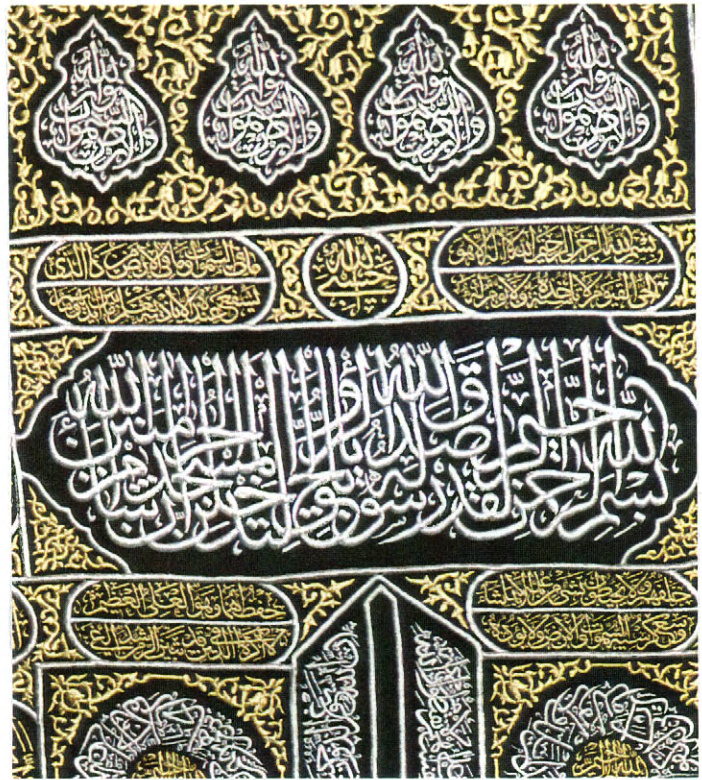
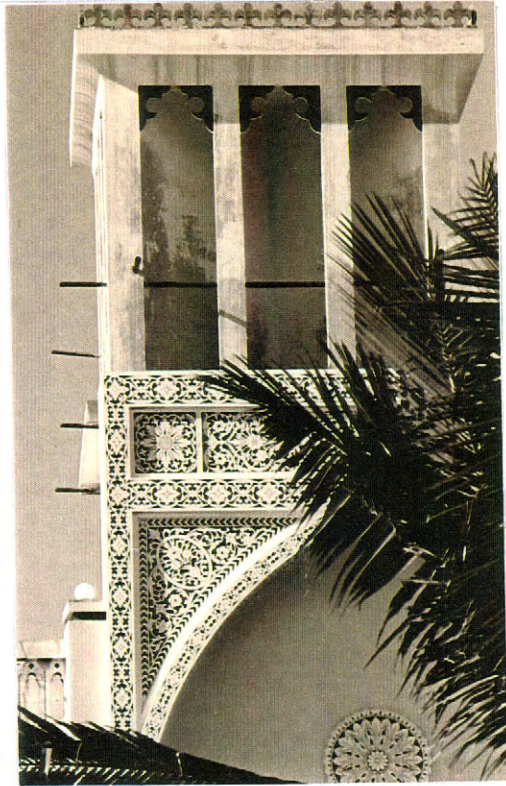
In so doing, Kuwaiti officials responded in a manner that was not unlike the Shakespearean wrath of the rejected suitor, for, in the eyes of all within the GCC, in the words of one head of state, the U.S. had stabbed them in the back. For the first time in the history of any country in the region, Kuwait requested Soviet involvement in Gulf defense matters – a Tsarist-era dream that had existed for hundreds of years – thereby dealing a body blow to a fundamental American strategic objective forged a quarter of a century before and a European goal dating back centuries earlier.

Stability's Internal and External Variables

Several of this century's most horrendous wars were ignited – and arguably rendered predictable, almost inevitable – not so much by cross-border forays or an aggressor's lightning thrust into a neighboring country's territory. Rather, they occurred as a result of something that had gone awry *within* one of the warring countries or empires – a gradual decay that grew into a spreading and exportable cancer.

A Serbian nationalist's assassination of the Austro-Hungarian Archduke Ferdinand at Sarajevo was the spark amidst very combustible tinder that ignited the chain of events that led to World War One. Combined with a weak and ineffective League of Nations, in

GCC MEMBERS' ARCHITECTURE, ARABESQUE MOTIFS, AND ARABIC CALLIGRAPHY



which the U.S. was not a member, the twin forces of a disciplined, well-organized German nationalist determined to turn over the post-World War One regime of retributions, on one hand, and, half a world away, a militaristic Japanese elite bent on territorial expansion, on the other, made the onset of World War Two practically inevitable.

Notwithstanding the differences in background, context, and nuance, the preludes to the Gulf's two most recent conflicts were similarly grounded in domestic circumstances that went awry. The roots of the 1980-1988 Iran-Iraq War, for example, lay near the doorstep of a group of clerics in Iran who were bound and determined to export their revolution to neighboring countries. The origins of the 1990-1991 Kuwait Crisis are more deeply anchored in history, but the match that set the conflict afire was lit in part by an oil price fight and in part by a quest for regional hegemony by a ruthless party strongman and his expansion-minded colleagues in Baghdad.

The Domestic Component of Collective Defense

The GCC countries have contributed and continue to contribute to Gulf defense and stability. Viewed from afar, their contributions can be seen as an appropriate, much-needed, and welcomed division of labor. Critics who deride and dismiss the abilities of the GCC countries to contribute anything meaningful to regional defense will disagree, of course, but one need only ponder the implications were the opposite the case.

GCC state contributions to domestic security are directly related to the likelihood of whether, when, and how the allied coalition countries might be required to mobilize and deploy to the Gulf again – and with what numbers, force configurations, and other agreements when and if they do. The continuing demand in the U.S., Great Britain, and elsewhere for limited funds and personnel to maintain indefinitely an American, British, French, and other allied regional defense posture would be far greater were it not for the GCC countries' contributions to domestic stability throughout the region.

In the annals of Arabian history, this effort among the GCC states to bring their political systems more closely together is not a new idea. The dream of a more integrated, if not united, GCC region is as old as Islam itself. There were times, in the distant past, when it had been a reality.

In the annals of Arabian history, this effort among the GCC states to bring their political systems more closely together is not a new idea. The dream of a more integrated, if not united, GCC region is as old as Islam itself. There were times, in the distant past, when it had been a reality.

At the peak of Arabia's power in the generation immediately following the death of the Prophet Muhammad, the GCC region's beliefs, institutions, and practices spanned an area from the Pyrenees in western Europe to the Hindus Valley in south Asia. Unlike either of the world's other two monotheistic faiths, Islam left an enduring imprint upon virtually all

of North Africa and Central Asia, an imprint that has only deepened and expanded with the passage of time.

But significantly, in light of later history, the region's people and politics grew apart. For a time, in the twilight of the present century, military men here and there – in Egypt, Iraq, Libya, Sudan, Syria, and Yemen – sought to establish a new Arab order. Along with them came strident Arab nationalists who hearkened back to ethnic pride and a once glorious past in an unsuccessful effort to forge an appropriate ideological framework with which to confront contemporary economic and political challenges. Now more dormant than dead, the currency of Arab unity, in its literal sense, if not also the currency of Arab nationalism, has depreciated in the wake of one setback and humiliation after the other in the unending saga of the Israeli-Palestinian and broader Arab-Israeli conflict.

Radicalism in the Raiment of Religion

Not altogether in its place, but certainly alongside it and vying for supremacy, is a new and different currency, minted sometime ago but only recently introduced in substantial quantity: regional radicalism dressed in the raiment of religion. The frustrations born of mounting unemployment, and its silent but deadly assault on one's sense of worth and dignity; the insecurities brought about by living in the shadows of revenge-minded Iranians and Iraqis; and the pressures of modernization – the ability of any people to cope with stress and strain will vary from one to the next – are three of the most prominent sources of societal malaise in the GCC region.

Because of the persistence and pervasiveness of these phenomena throughout the region as a whole, some people are more open to the idea of a group or movement which promises a sterner kind of rule. Such promises appeal to wounded pride by evoking a selectively remembered past, which, in its political use, by leaders in the more militant movements, is similar in style to the austerity and spartan conditions experienced by the thousands of Arabs and others who, from 1979 onwards, left their homelands to join their Muslim brethren in the fight against Soviet aggression in Afghanistan.

GCC countries' leaders are quick to acknowledge that the challenges represented by these various anti-status quo groups and movements pose difficult questions to those in the arena of governance. But if the GCC is nothing else, it represents a hope among its leaders – whose own origins are anchored in traditional structures – not to succumb to the past manifestations of jealousy and distrust, of division and fragmentation, that would preclude their experiment's success. There has been a major diminution of parochialism among the member states in this century but, until eighteen years ago, no region-wide cooperative organization – that links them multilaterally and functionally – like the GCC.

Seen up close, what has occurred and is continuing to take place in the area of domestic political reform within the GCC countries is, therefore, much more significant than what appears at first glance. The reforms constitute one more piece in the members' efforts to enhance their national and the region's stability.

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From a macro political perspective, the reforms are evidence of a pan-GCC willingness to do whatever possible to avoid another major conflagration in a region of global strategic importance. It is the placement of one more set of bricks and mortar in the economic, social, and political foundations of an edifice-in-the-making – one that is protected from within and without – the likes of which the modern Arab world has never seen.

POLITICAL: External

In the sphere of GCC external political needs and concerns, the three oldest and most protracted issues affecting the members are (1) Iraq, (2) Iran, and (3) the Israeli-Palestinian and larger Arab-Israeli conflict. Outsiders new to analyzing GCC dynamics frequently profess not to understand why these three issues are prioritized in the order indicated. The reasons are several.

Iraq

Iraq continues to be the members' foremost foreign policy concern for several reasons. First, it is the oldest threat to one of the member countries' national sovereignty, political independence, and territorial integrity. Secondly, the Iraq challenge is the one with the most components – the return of Prisoners of War and those Missing in Action, payment of reparations, fulfillment of UN Security Council resolutions relating to the dismantling of weapons of mass destruction and the means for producing as well as delivering them, *etc.* – and the largest number of precedent-setting issues at stake. As such, it is the challenge that represents the greatest amount of unfinished business.

To outsiders who belittle or ignore the human component that underscores the pathos of some of these outstanding issues, a useful context for understanding their national and regional impact is this: the number of Kuwaitis missing and unaccounted for in Iraq six years after the end of the war is equivalent, in a U.S. context, to there being 260,000 Americans unaccounted for in Canada or Mexico.

A third concern stems from the fear among many GCC countries' leaders that, in the event Iraq should deploy its ballistic missiles in any future regional conflict, the targets of these missiles are likely to be one or more GCC states. A fourth fear flows from an awareness that, however successful a GCC and/or allied coalition policy of containing Iraqi

expansionism might be in the future, there is little, if any, hope for a guarantee that Baghdad would not seek to undermine the GCC members in other ways – for example, through subversion, assassination, hostile propaganda, deployments that would provoke costly counter-deployments, *etc.*

A fifth reason is the pan-GCC belief that Iraq is unlikely either to forgive or forget the role of the GCC states, collectively and individually, in enabling the allied coalition – led by non-Arab and non-Muslim Westerners – to inflict upon Iraq the most devastating and humiliating defeat in its history.

The Sanctions Conundrum

The GCC countries remain suspect that they could be the next target of intimidation by Baghdad or, alternatively, by Tehran. However, not every analyst, whether within or outside the GCC region, is of the same mind in viewing which institutions and/or countries are the most responsible for ensuring Iraq's full compliance with the UN resolutions. Some, even within the GCC region, wrongly assume that it is for the GCC countries – and not the UN Security Council – to determine whether and when the sanctions against Iraq are to be lifted.

A larger number hold to the view that at least half the GCC countries are strongly against a continuation of the sanctions. These, with increasing frequency, claim that the GCC's southernmost states – Qatar, the UAE, and Oman, each of which needs to bolster its defense capabilities against a possible future threat from Iran – wish for Iraq's earliest possible return to the Arab fold. The reason, they argue, is the same one the U.S. and many other countries advanced during the Iran-Iraq war – to enable Iraq to serve, as it did throughout most of the first half of the GCC's existence, as a vital geostrategic counter to Iran.

An even greater number of observers long to see the sanctions lifted for humanitarian reasons. The roots of humanitarianism in this context are deeper than the usual normative notions of justice, pacifism, or aid for the victims of a tragedy. At the core of much of the pan-GCC grieving for the Iraqi people are sentiments that, for many, are intensely personal and emotional.

Thousands of GCC citizens spent a significant portion of some of the most formative years of their lives in Iraq as students. Many are married to Iraqis. Viewed through these lenses, it is easy to see why, for many GCC citizens, an invisible shroud of mourning drapes their view of the Iraqi people. As opposed to their hostile feelings toward the inner core of Iraqi officials responsible for the invasion and occupation of Kuwait, most Iraqis, in this view, are seen as the GCC nationals' nearby brothers and sisters who have had, and continue to have, little, if anything, to do with the oppressive policies of Saddam Hussein.

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The Allied Coalition

In the confusion among many about who is responsible for the continuance of the sanctions regime, here is a case of information being communicated less than effectively by the United Nations and the five Permanent Members of the UN Security Council. Part of the confusion lies in the fact that many believe the sanctions' continuance is solely the result of insistence by the United States. Missing in such viewpoints is awareness that the Permanent Members – China, France, Great Britain, Russia, and the United States – repeatedly have been *unanimous* in voting to uphold the sanctions until Iraq has complied with them fully. The many observers who believe the sanctions continue solely or mainly as a result of U.S. insistence overlook or ignore this fact.

One reason for the confusion is Baghdad's shrewd and quite effective tactic of focusing only on the United States as the reason for the Iraqi people's prolonged suffering. Day after day, this carefully contrived perspective works its way into various media outlets. From there, it is often printed or broadcast by satellite and other means throughout the GCC region and the world in general to millions of otherwise knowledgeable readers, viewers, and listeners.

Distrust of the United States, the primary proponent for retaining the sanctions regime, runs deep among various sectors of Arab and Islamic opinion – from Morocco to Muscat, from Baghdad to Berbera, and from Aden to Algiers with Aleppo in between. As a consequence, many unsuspecting observers are predisposed to believe any seemingly logical explanation that puts the onus on the U.S. for perpetuating the calamity that has befallen the Iraqi people.

Yet, to be fair, this is also a case of at least three of the Permanent Members saying and doing one thing at the UN and doing something quite different when the context shifts to business opportunities. Both France and Russia are owed billions of dollars by Iraq – and

have signed deals with Baghdad worth billions more – that await only the sanctions' removal in order to be implemented.

A Different Perspective

A useful context for understanding this phenomenon is to recognize that the population of France is one quarter that of the United States. In this light, if the U.S. was owed by Iraq

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And what if the reasons were linked, as they are in the minds of millions in France, to the potential loss of jobs through plant closings? To preferential access to reasonably abundant and affordable energy

sources necessary to sustain as well as expand one's industrial base? As it is, numerous American energy, construction, and financial risk firms long for a role in the reconstruction of Iraq's economy – a role that cannot begin while the sanctions remain in force.

Washington has been forceful in countering this perspective. In UN circles and in the American media, U.S. officials have been exceptionally active. On the whole, they have missed few opportunities to make known that they take exception to the almost routine opposition of China, France, and Russia to U.S. proposed resolutions in the Security Council that would "condemn" certain Iraqi activities.

Consistent Inconsistency

However, critics in the Gulf and throughout Europe and Asia claim Washington is consistently inconsistent in its application of major principles of international law. They are offended by the prolonged pattern, which began more than a quarter of a century ago and continues to this day, of the U.S. ensuring that specific UN Security Council resolutions for which the U.S. itself voted in favor are not implemented. Stated differently, the U.S. is seen by many as the primary force permitting Israel to stand in a category second to none in terms of its extensive non-compliance with UN Security Council resolutions.

By this, the reference is to one set of standards that the U.S. applies towards Israel— e.g., vetoing for it in the same UN Security Council resolutions proposed by the Council's other members that would "condemn" certain Israeli activities — and another, quite different set of standards, often on similar or nearly identical issues, where the U.S. has no qualms about pressuring its allies to join it in support of resolutions condemnatory of Iran, Iraq, Libya, Sudan, and Syria.

Not only the GCC states', but most other countries' leaders take exception to Washington providing Israel with the vast diplomatic, economic, financial, military, political, and technological support that allows it to retain control of Arab land, water, and other resources. Many emphasize that the many different facets of Israel's occupation — which includes the expropriation of land, the exploitation of resources, and the expulsion of the occupied peoples from their homeland — are in direct opposition to the Fourth Geneva Convention of 1949 and the UN Charter, which forbids the acquisition of territory by force.

Alone Abroad

Abroad, if not to the same extent inside the United States, the international, regional, national, and local critics of American policies toward the Arab-Israeli conflict — which most contend has long been the most strategically relevant of all Middle Eastern issues related to war and peace — continue to increase in number. In underscoring the hopes of millions who long for the day when there will be a peaceful end to the question of Palestine and other components of the Israeli-Arab conflict, they point out that the U.S., more than any other country, has consistently prevented enforcement of the very U.S. endorsed resolutions that are aimed at bringing peace to the region.

Such critics are not shy about reminding anyone who will listen that actions not only speak louder than words; even inaction or media-spinning that borders on duplicity — a failure to say what one means, or a failure to mean what one says — has consequences, often very dangerous ones, in an area as important as the Middle East.

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In viewing regional events in the context of these facts, the region's policymakers and other elites repeatedly acknowledge being confounded at the inability or unwillingness of the world's sole superpower to practice what it preaches on an issue of emotional and

spiritual importance to more than half of humanity. They remain incredulous that, despite Israel's efforts to renege on solemn U.S.-brokered agreements regarding the Arab-Israeli peace process, Washington professes to wring its hands and claim it has no influence over Israeli defiance and obstinacy even as it continues to underwrite, to the tune of nearly \$10 million per day, an Israeli economy that rivals Great Britain's in terms of income per capita.

Different Standards

The contrasting reference is to the quite different set of standards the U.S. applies – and, in opposition to the principles of the World Trade Organization which the U.S. helped to formulate, seeks through legal means to compel others to apply – towards Iraq, Iran, Libya, Sudan, and Syria, for whom neither the benefit of the doubt nor any of the other kinds of benefits, indicated above, is allowed to apply.

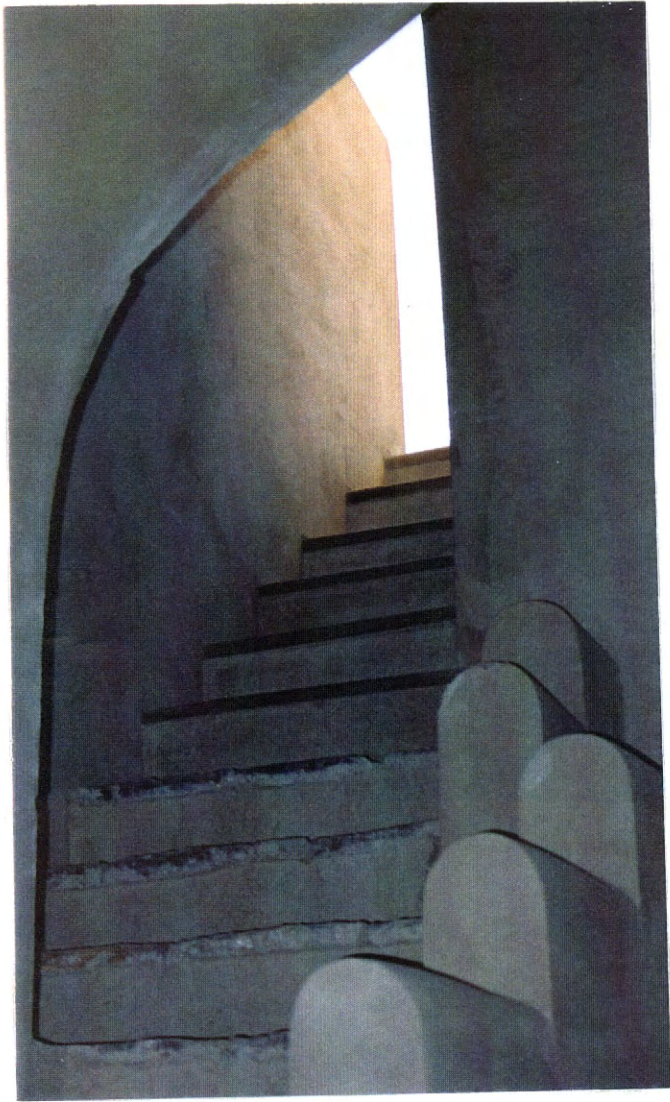
One summiteer, in venting his frustration over the inconsistencies in U.S. policies, remarked, "Everyone agrees that Timothy McVeigh had to be tried in Colorado because he could not receive a fair trial in Oklahoma. Fine. But, if so, cannot the same logic be applied to America and Libya? Isn't it similar? How likely would it be that the two Libyans Washington has accused in the Pan-Am bombing would receive a fair trial in the U.S.?"

"Why not let them be tried by judges in Belgium or the Netherlands – anywhere but the U.S. – and be done with it? When it is in governments' interests, as in the case of bringing Timothy McVeigh to trial, governments always find ways to make exceptions. We need to put such rancor and discord behind us."

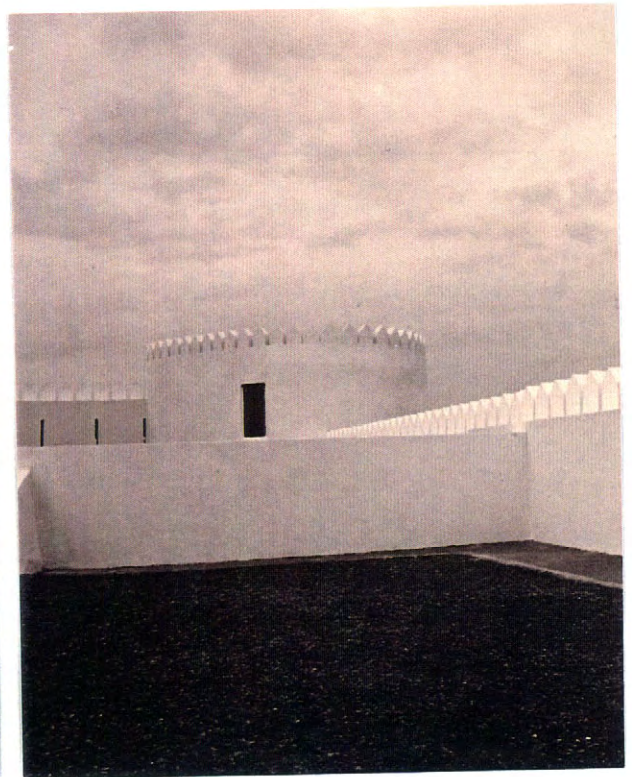
The purpose of recounting these viewpoints and enumerating some of the region-wide criticisms against the U.S. is not simply to convey a sense of how the leaders of many countries sometimes find it difficult to have the United States as a political ally. It is merely to underscore the fact that the most meaningful and effective alliances are ones in which friends and allies do all that they can to understand each other's points of view – and, at a minimum, do no harm – with regard to their needs, interests, and concerns.

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ANTIQUITIES



Historic Forts are being restored.



Kuwait's Case

In this context, it was fortuitous that Kuwait hosted this year's summit. No other GCC country is more deeply affected by the international community's unfinished business with Iraq and the plight of the Iraqi people. "The Iraqis are the closest to us," said Foreign Minister Shaikh Sabah Al-Ahmad Al-Sabah. Kuwaiti Minister of Information Saud Nasser Al-Sabah, Ambassador to the U.S. throughout the 1990-91 Crisis, was equally keen to point this out.

"Our concern for the Iraqi people," he said, "is genuine and deep. They are our neighbors, our brothers and sisters. We are doing all that we can to alleviate their suffering. But don't mix things up. The sanctions are something different. They are a matter of international, indeed global, concern. It is not for Kuwait or any other GCC country to go against the will of the UN Security Council." The context of the Minister's remarks was in response to a proposal by some among the three lower Gulf GCC members that the GCC leaders should send a delegation to Baghdad to discuss the sanctions with the Iraqi regime.

Iran

In this summit, GCC leaders' views towards Iran differed from those posited at previous meetings. The summiters were at pains to issue statements that balanced positive sentiments with those that bespoke caution and reservation about how Iran's new president, Mohammad Khatemi, says he wants to open a new page in GCC-Iran relations. Much of the "feel good" statements about the "charm offensive" reflected in Khatemi's words and style were in the context of the recently concluded tri-annual summit of the 55 member states of the Organization of the Islamic Conference (OIC). The OIC summit took place in Tehran less than two weeks prior to the GCC summit and the quarterly meeting of the GCC's Ministerial Council.

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The OIC summit in Tehran was one of the largest and most significant gatherings of Islamic world leaders in this century. All OIC members were represented, many by their heads of state, in marked contrast to the U.S.-backed Middle East and North Africa Economic Summit held a month earlier directly across from Iran on the western side of the Gulf.

Advantages and Drawbacks

On the positive side, the GCC leaders, without exception, said all the diplomatically and rhetorically pleasing things about Iran to be expected. After all, they were still fresh from

the OIC event, which was extraordinary not only in its inclusivity, but, also, with regard to most issues, in the participants' civility of tone and seriousness of purpose.

Yet it is the negative side that invites greater analysis and assessment of the implications for GCC and other countries' foreign policy objectives *vis-à-vis* Tehran. In this regard, the years of mutual suspicion and distrust between GCC Arabs and Iranians – no less than those between Iranians and Americans – could hardly be laid to rest by the mere utterance of reconciliatory words and a more pleasing style by a single newly elected Iranian leader who, in the final analysis, has next to zero authority in the realm of foreign affairs.

Shadows and Doubts

In short, absent signs that President Khatemi's viewpoints stand a reasonable chance to be accommodated and not overruled by those above him in the Iranian power structure, an Iranian shadow continues to loom large in the strategic calculations of all GCC leaders as to Tehran's intentions, its ulterior motives. Before they give one Iranian leader's stated good intentions their unqualified blessings, the emphasis will likely be on removing their doubts about the shadows that higher-ranking Iranian leaders continue to cast on the likelihood of any far-ranging rapprochement or *détente* between Iran and the GCC countries.

In both the run-up to the summit, as well as afterwards, much has been said and written about what might be possible in the way of improved GCC-Iranian and American-Iranian relations in the near term. So much so, that one needs to step back and look very carefully at the specifics of what Khatemi and his spokespeople have been saying both before, during, and immediately after the GCC Heads of State and Ministerial Council meetings in Kuwait.

Strategic or Tactical?

In this regard, some of the details are troubling. They underlie the suspicion of more than a few of the members that Iran's decision to unleash a charm offensive may be little more than a tactical gambit. Iran's strategic requirements, many agree, are heavily rooted in economic goals and include access to Western financing and technology. Tehran is unlikely to meet these needs if it remains at arms length from the U.S. and at hands length from the GCC countries.

Less charitable analysts add that Iran's strategic needs are also heavily rooted in political and military goals with respect to the Gulf. From this perspective, regarding the relationships it envisions with Iraq and the GCC countries, Iran – the Gulf's sole non-Arab country – seeks to become the strongest and most powerful country in the region. The strategic hurdle in front of Iran is this: it is unlikely to meet such needs if the U.S., with the GCC countries' agreement and support, continues its robust military presence in the area.

In their statements to date, it is clear that virtually every GCC leader agrees with the age-old dictum that actions speak louder than words. Accordingly, they expect to be understood for seeing Iran's opening as possibly a ruse — a means contrived to buy time and the chance to gain much-needed, largely Western, economic, technological, and other assistance for its starved economy — rather than a strategic political choice. The latter would entail a decision to mend fences with the GCC countries on its own merits and without regard to other, unadmitted, objectives.

The GCC countries' leaders seek convincing evidence that Iran has made a strategic decision to improve relations with the GCC region. A strategic choice would be reflected in a deep and broad-based Iranian national commitment to bring about a fundamental and far-reaching transformation for the better in the way the Iranian leadership, for most of the past two decades, has viewed and related to the GCC countries.

Strategic Requirements

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Such a choice would necessitate that Iran forego its efforts to destabilize the GCC countries. It would require Tehran to do everything within its power to ensure that its overseas citizens and agents cease employing violence against GCC individuals and institutions. It would require it to stop trying to drive and deepen wedges between and among the GCC governments. It would entail that Iran stop attempting to undermine the strategic, economic, political, and defense relationships that virtually all of the GCC countries have entered into with selected Western powers.

It would include a willingness by Iran to settle its dispute with the UAE about sovereignty over the Greater Tunbs, Lesser Tunbs, and Abu Musa islands through peaceful legal channels. To this end, it would require a cessation of the repeated bluster that the islands are "Iranian."

It would entail that Iran put an end to its ongoing unilateral measures not only to fortify the islands but, worse, to aim the weaponry installed on them against the UAE as well as incoming and outgoing maritime traffic through the Hormuz Strait at the entrance/exit to the Gulf.

It would necessitate a significant lessening of Iran's ambitious program to acquire ballistic missiles and other weaponry of a range and lethality that GCC leaders, allied coalition defense analysts, and many others feel is far in excess of Iran's legitimate defense needs.

Reasons for Caution

The list of "musts" to which Iran would have to conform, were it truly to want to begin a new chapter in its relations with the GCC countries, is much longer and more multi-faceted than the one highlighted here. But it should be sufficient merely to point out that on virtually every one of the *desiradata* noted, there is little more than rhetorical evidence – and visits – to indicate the imminent likelihood of Iran being able or willing to do more than a few of these things, failing which pan-GCC suspicions are likely not only to linger but deepen.

GCC leaders and others are quick to add the qualifier that this is not to say that the Iranian coat of recent years is unlikely to change its color. Indeed, it is not the coat's color but what's been beneath it, for years on end, in the form of Iran's extensive interference in the

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domestic affairs of the GCC countries that remains a cause for concern. Added to this has been no end of Tehran's pontification and derision directed towards the decisions the GCC states have taken, in close consultation with their allies, to strengthen their inherent right to self-preservation. GCC Secretary

General Jamil Al-Hujeilan echoed the views of all the other GCC leaders when, in reaction to a question about what an appropriate GCC response to Khatemi's conciliatory overtures might be, he stated at the summit, "Let's not be hasty."

This said, virtually all of the GCC leaders responded positively to the indication by President Clinton, on the eve of the summit, that he welcomed the idea of opening a dialogue with Iran on the issues outstanding between the two countries. Here again, though, the gap between what the two sides are saying is considerable. The U.S. says it wants the dialogue to take place among "authoritative" leaders on both sides. To date, Iran has said it wants something quite different: it prefers people-to-people dialogue among American and Iranian "scholars, professors, artists, even tourists."

But enhanced people-to-people dialogue, at a time when the two sides are still not very high above zero ground level, ought not to be dismissed lightly. It needn't mirror the kinds of diplomacy that de-iced the Cold War wings of American-Chinese relations in the 1970s.

From Dialogue to Détente?

If the GCC-Iran emphasis is on genuine *détente*, this in itself would count for progress. Certainly, GCC leaders contend, it is the opposite of *détente* that has characterized these

relations for the majority of the past two decades. In short, GCC leaders argue that it is in the world's interests for Tehran and Baghdad to realize that *any* effort they might make to destabilize the GCC countries or threaten Gulf security is unacceptable and will not be tolerated.

Whether policies designed to prevent such destabilization or threats end up being called "dual containment", "counter-compulsion", "balance of power," so-and-so's "doctrine" or this or that "corollary" is, at best, of secondary importance. This is not to downplay the importance of symbols and semantics in international discourse – it is to keep the strategic objective as simple and clearly focused as possible

On the other hand, with particular regard to Iran, increasing numbers of GCC leaders feel that the absence of meaningful dialogue between Washington and Tehran on the issues in dispute between them, and, by extension, on the disputes between Iran and themselves, serves little if any good purpose. On the contrary, it is being viewed as counter to the overriding GCC and U.S. interest to do everything possible to promote the long-term regional stability and defense of the Gulf.

Significant numbers of GCC country leaders contend that the lack of a *rapprochement* between Tehran and Washington has been in the strategic interests of none other than those outside the Gulf who would seek to gain from pitting the U.S. against Iran and/or the GCC Arabs and/or from pitting – in the game within the game – the GCC Arabs and Iran against each other.

Those outside the Gulf who, for decades, have sought to sow the seeds for such entanglements between Arabs and Iranians have done so for their own strategic reasons. They have calculated that it is in their interest to deflect the international spotlight away from the eastern Mediterranean to the Gulf, to have certain Muslim countries at odds with certain other Muslim countries, to play Iranians off against Arabs, to play Arabs off against Iranians, to create situations in which Arabs and Iranians appear unappealing to the United States, and to distract the foreign policy priorities and drain the financial as well as military resources of Arabs and Iranians alike.

Damascus Declaration

Within the Arab strategic context, GCC countries continue to regard Egypt and Syria as their next line of geopolitical support and, if necessary, military assistance in the event of any outside aggression against one of the members. Yet, nearly seven years after the alliance's inception, at a meeting of their respective foreign ministers in the Syrian capital in March 1991, a great many analysts are still confused as to what the Damascus Declaration is and is not about.

Many still believe it was supposed to be a military pact. It never was. Rather, since its inception, the declaration represents ambitious hopes of another kind. Among other things, these include an expansion and deepening of the close-knit geo-political support

that was forged among the GCC countries, Egypt, and Syria during the 1990-91 Kuwait Crisis.

If this can be achieved, the signatories believe they will have a good chance of eventually bringing about the makings of a restructured and improved Arab order, one quite different than the one that was formed in the aftermath of the 1979 Camp David Accords between Egypt and Israel and that lasted until it was blown to bits in August of 1990.

The eight countries' foreign ministers and economic and finance leaders have continued to meet regularly, twice annually, to deliberate issues of common concern. On the political front, these include pressing for a renewal of the Israel-Syria track of the stalled so-called Middle East peace process, key features of which include Damascus' demand for Israeli withdrawal from Syria's Golan Province and Israel's implementation of UN Security Council Resolution 425 which calls for its withdrawal from Lebanon.

On the economic front, the leaders explore the possibilities for expanding cooperation on infrastructure development projects in Egypt and Syria. They also pursue ways to enhance the economic and commercial links between the six GCC states and the two non-Gulf countries.

What do the GCC countries receive in return? On the strategic and geo-political fronts, the answer is several things. For example, in planning for ways in which to prevent or reverse future aggression, GCC states' leaders are hoping they can count on a repeat of the 1990-91 performance by the armed forces of both countries – especially Egypt's, the largest and most experienced in the Arab world – in support of the GCC region's defense. However, one should perhaps add a crucial qualifying caveat, *i.e.*, provided the same regimes as the ones that presently exist, or ones closely similar in strategic outlook, continue to hold sway in Cairo and Damascus.

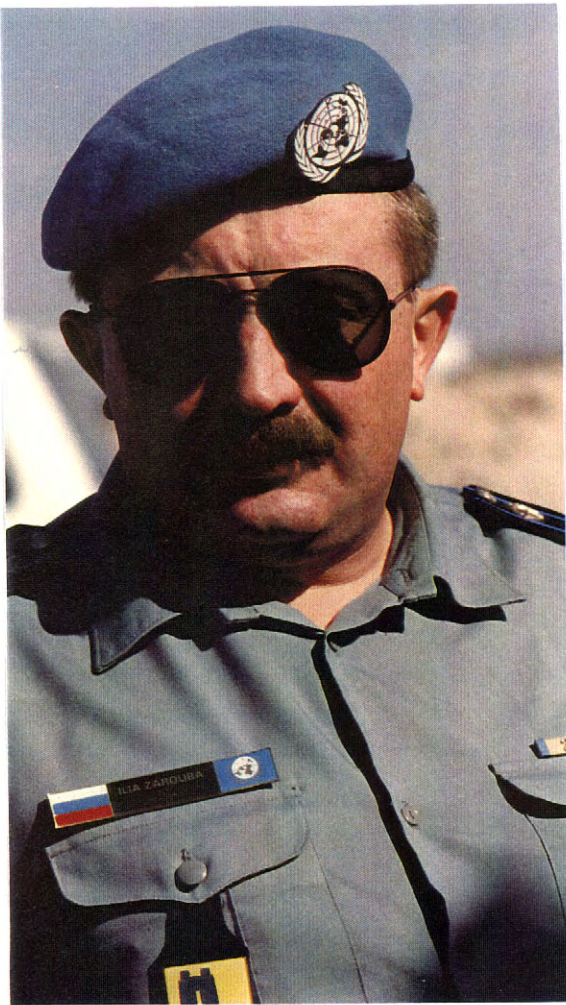
Egypt and Syria

Egypt, in particular, lends the GCC alliance added strategic depth and breadth. To Egypt's assets, Syria brings a measure of balance – on Arab issues generally and eastern Mediterranean ones, on the geo-strategic front by virtue of its being a western neighbor of Iraq, and, on the political and diplomatic front, in light of its close relations with Iran.

In the run-up to the Kuwait Summit, however, the Damascus Declaration countries' unity of outlook and purpose suffered an unprecedented blow in the form of an acrimonious dispute between Egypt and Qatar. Cairo was host to the 1996 Middle East and North Africa Economic (MENA) Summit. Doha hosted the 1997 meeting.

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MILITARY READINESS



Special Representatives of the U.N. Security Council to the Iraq-Kuwait Observer Commission from the Russian Federation (L) and the People's Republic of China (below).



Throughout the Summer, and with increased tempo during the Fall, Egypt's leadership minced no words in condemning Qatar's hosting of the 1997 MENA summit, which, as at the Cairo summit the year before and all the previous summits, included a large Israeli delegation. Egyptian officials took the line that it was unconscionable for Qatar to

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proceed on a "business as usual" basis, especially in light of what the Israeli government, since the previous year's summit, had done to forestall further major progress in ending the Arab-Israeli conflict.

Qatar did not take Egypt's animus lying down. It fired back that the commitment to hold the 1997 MENA Summit in Doha was an international decision in which Cairo had not only taken part, but endorsed, and one which, short of a comparable international decision to overturn that commitment, Qatar would not fail to uphold. Qatar's leaders added that Egypt's posturing was particularly ill-befitting, coming as it did from a country that had hosted the previous summit in the aftermath of Israel's devastating Grapes of Wrath operation in Lebanon in April and May of 1995 that had rendered nearly 40,000 Lebanese homeless.

Although the Qatar economic summit preceded the GCC summit by five weeks, and although Saudi Arabia's King Fahd had mediated between Egypt's President Mubarak and Qatar's Shaikh Hamad only days before the Kuwait Summit began, the dispute cast a minor cloud over what would otherwise have been a blemish-free series of meetings. In the short term, the two countries have moved away from each other. The pace and the distance may quicken and widen if Qatar continues to expel Egyptian expatriates and if it places on trial Egyptians imprisoned in Qatar who it accuses of having sought to overthrow the Qatar government in March 1996.

Arab-Israeli Conflict

Several regional developments not only kept the long-festering Arab-Israeli dispute on the political agenda of the Kuwait Summit, but were the reason for more pointed deliberations on that dispute among the members' leaders than in previous years. The most pervasive themes remain the region-wide dismay stemming from the persistence of two phenomena.

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One is rooted in regional leaders' continued astonishment at the Israeli government's disregard of international pressure to refrain from consolidating its grip on the Occupied Territories. The other is continuing disappointment that, in the face of such provocation, Israel's key patron, the United States, for domestic reasons, is seemingly unable or unwilling to do anything about the situation.

When pressed to cite examples of what would be appropriate action, many among the member states' elites offer no end of suggestions and recommendations. A repeatedly conveyed request is that the U.S. consider abstaining instead of consistently vetoing UN Security Council Resolutions critical of Israeli actions in violation of the UN Charter, the Fourth Geneva Convention of 1949, and other norms of international law to which the U.S. and Israel are signatories and profess adherence.

GCC states' specialists on the Arab-Israeli conflict point out that the U.S., on more than 30 occasions, has vetoed UN Security Council resolutions that, in the Arab-Israeli dispute, as in the aftermath of Iraq's aggression against Kuwait, seek nothing more than compliance by the party — in this case Israel — to which the U.S.-endorsed resolution was addressed.

"The Saddam Hussein of the West?" ...

Several other comments by widely respected GCC country's media leaders known for their ability to come up with catchy sound bites were passed around to near-unanimous nods in agreement. One approvingly cited Great Britain's widely read daily, the *Manchester Guardian*, as allegedly having recently referred to Israeli Prime Minister Benjamin Netanyahu as "the Saddam Hussein of the West," a sobriquet which even Netanyahu himself, in a self-mocking manner upon hearing it, has acknowledged as having a chance of sticking.

Another pundit recalled the oft-quoted but ill-received statement attributed to former Israeli Foreign Minister Abba Eban ten years or so ago about how, in his view, regarding the PLO leaders' responses to various chances to enhance the prospects for peace, "The Palestinians never miss an opportunity to miss an opportunity."

...and Washington as "The Olympic Champion of Vetoes?"

"In light of the U.S. being the Olympic champion of vetoes against the will of the majority in the UN Security Council on resolutions that seek to end the Arab-Israeli conflict," this same pundit said, "someone claims they heard Eban saying the other day that, 'On the matter of bringing peace to the Middle East, the United States never misses an opportunity to miss an opportunity.'"

Parallel Summitry

Three other stimuli for heightening GCC and other Arab and Islamic peoples' frustration as a result of Israel's continuing ability, with U.S. support, to defy the world community were: (1) a major conference in Abu Dhabi in early November that focused on the topic of "Whither the Arab Future?" that went largely unreported in the West despite the fact that the 800 Arab intellectuals and media specialists who attended from all over the Arab world were more than four times the number expected; (2) the aforementioned economic summit in mid-November in Qatar – in the heart of the GCC region – which was attended by large numbers of Israelis but, despite major U.S. marketing efforts and diplomatic pressure tactics, few Arab and Islamic countries sent representatives; and (3) the unanimous attendance at the 55-nation OIC meeting in Tehran barely ten days prior to the GCC leaders convening in Kuwait.

'Peace Process' or 'Diplomatic Dialogue'?

Had these other high-profile meetings of GCC and other Arab and Muslim leaders not occurred in the run-up to the meetings in Kuwait, it is possible that the dismay and disappointment articulated at the 1997 GCC Heads of State Summit on matters related to the Arab-Israeli conflict would have been more bland and innocuous. But it is in the nature of summitry in the midst of politically vexing times that issues of interest to everyone are discussed, even if conscientiously, away from the TV cameras.

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If such discussions do not take place in open session or as an agenda item, they occur in the numerous bilateral and other meetings on the sidelines that have become a hallmark of GCC summits. In any case, Israel was more pointedly criticized at the Kuwait Summit than would have been the situation had the peace process not degenerated into what, for months on end, has become little more than a diplomatic dialogue.

For these reasons, what would otherwise have been an excellent opportunity for the GCC states to agree to a greater number of measures of political interest to their major Western allies, and particularly the U.S., was hampered. Lest they be branded as "America's Arabs," there was no way that the GCC countries, in such a regionally tense setting – on matters of elemental justice being denied their fellow Arabs in Lebanon, Palestine, and Syria – could have assumed any positions other than the ones they took.

These positions, as in past years, but with more force and resonance at the 1997 summit, called for the Israeli Government: (1) to cease unilateral acts regarding the settlements, (2) to stop expropriating Palestinian land and exploiting other Lebanese, Palestinian, and Syrian resources, (3) to end its closure of the Occupied Territories, (4) to put an end to its

policies of collective punishment and expulsion of the native Arab peoples – Christians and Muslims among them alike – from their land, and (5) to enter into final status negotiations pursuant to the establishment of a Palestinian state, the withdrawal of Israel from all Occupied Territories, and the creation of a capital for the Palestinian state in Jerusalem.

DEFENSE

Several new developments on the defense front culminated at this summit. One was the overall tone of the deliberations on the subject. Part of the reason was because the venue for the discussions was Kuwait, which remains preoccupied with erecting and maintaining an effective defense against Iraq. Another part stemmed from a perception among some GCC countries' leaders of growing American uneasiness with an indefinite extension of the current number and configuration of U.S. forces in the region. Yet another part was related to what all recognized to be in their near and longer-term interests: a steady increase in their self-defense capabilities. For all these reasons, the pronouncements on defense issues of the summiters' in Kuwait had a much more specific focus than in previous years.

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The physical safety of summit leaders was enhanced significantly by UN authorized surveillance flights over Iraq and by U.S.-Kuwait naval exercises on the eve of the summit. The implications of these two facts for the GCC countries' near-term defense needs was reinforced by the added assurance provided by American-manned Patriot Anti-Missile Batteries on Kuwaiti territory.

Radar

There was, moreover, considerable relief that a long-studied, debated, and delayed agreement on what kind of an air defense system the member states might erect was finally at an end. The winner, Hughes Aircraft, had been the forerunner all along, from the early 1980s when the need for such a system was acutely apparent and its feasibility first examined. However, declining government revenues from 1983 onwards had entailed that the project, for financial reasons, be postponed indefinitely.

When the project resurfaced in the past two years, it again hit a major snag – the system's cost. In the end, a scaled down and reconfigured version of what had earlier been envisioned and accepted in principle was agreed. An \$87 million project will integrate the six states' air defense radar systems and provide for an early warning capacity as well as training. The contract is expected to be spread over the next two years.

Telecommunications

Parallel to this breakthrough was another in the area of erecting a region-wide system of secure telecommunications. Ericsson of Sweden won a \$67 million award which will entail laying a secure cable linking the six countries' defense communications. Future plans entail a yet to be determined site and costs for a combined command, control, and communications intelligence center. But the radar and telecommunications breakthroughs have moved closer the decision date for that additionally-needed piece of the GCC's deterrence and defense architecture.

A UAE Boost

Several other developments translated into modest but politically significant steps to move the six states further in the direction of maximizing their self-defense capabilities. One involved the UAE's defense forces. The UAE Armed Forces, which in some ways are the most loosely organized of the member states' militaries, for reasons owing to the country's confederal structure, were further unified and strengthened this past Fall. As noted earlier, the Emirate of Dubai – which, on all UAE policy issues, holds co-equal veto authority with the Emirate of Abu Dhabi, the capital – decided to make its hitherto separately led, organized, and financed Central Command units integral components of the national force.

The agreement is the product of a pair of the UAE's most prominent military officials, who have long been regarded by many as the two most dynamic representatives of the next generation of UAE leaders: namely, Abu Dhabi's Lt. Gen. Shaikh Muhammad bin Zayid Al-Nahyan and Dubai's Shaikh Muhammad bin Rashid Al-Maktoum, the Minister of Defense. This bodes well for further consolidation of this most enduring of all modern Arab experiments in regional political integration.

In enhancing UAE national defense planning, and in forging an unprecedented degree of strategic closeness between the Emirates' two most powerful and influential members, the goal of enhancing GCC stability overall, and particularly in the lower Gulf region, where the potential threat comes not from Iraq, but Iran, was advanced.

Elsewhere, though, GCC region defense procurement dynamics continued to conjure up the image of what could be likened to an American southern street hound's breakfast, *i.e.*, some of this, some of

that, and, at the end of the day, the whole not necessarily being equal to the sum of its parts. To wit: a melange of British, Chinese, Dutch, French, Italian, Norwegian, Russian,

In enhancing UAE national defense planning, and in forging an unprecedented degree of strategic closeness between the Emirates' two most powerful and influential members, the goal of enhancing GCC stability overall, and particularly in the lower Gulf region, where the potential threat comes not from Iraq, but Iran, was advanced.

South African, and U.S. defense equipment continues to swell the arsenals of the six states' militaries.

Geopolitical Determinants of Defense Procurement

The disparate nature of the assemblage of the member states' defense systems and equipment remains something of a nightmare for regional defense strategists, logisticians, and operational leaders. Despite this, the rationale for the extraordinary diversity of military wherewithal amassed within the region remains unchanged.

For the GCC countries as a whole, over and beyond such matters as cost and technical suitability – or rather completely apart from the operational efficacy of the equipment purchased – there remains the six states' geo-political strategy of involving as many influential countries as possible in support of their defense.

A diversified approach to arms procurement remains the six states' geo-political strategy of involving as many influential countries as possible in support of their defense.

France, Russia, and China

Unstated, but no less valid, is the flip side of France's and Russia's softening resolve towards continuance of the sanctions against Iraq. France, as pointed out earlier, is owed six billion dollars by Iraq. Moscow is owed between eight and twelve billion. However much one might wish it were otherwise, the domestic political and economic pressures within those two countries to view Iraq differently than the U.S. and Great Britain are powerful political realities. Combined with Beijing's unsatiated quest to earn foreign currency – from Iraq and/or Iran – the perspectives of the Chinese, Europeans, and Russians have important potential implications for regional defense.

The GCC countries have a near-existentialist need to deal with the possible implications of such circumstances. The over-arching requirement is to guard against a worst-case scenario in which China, France, and Russia might not be as forthcoming in support of the GCC countries' defense requirements in the event of an aggression by Iraq or Iran in the future as they were near the end of the 1980-88 Iran-Iraq War and as they were throughout the 1990-91 Kuwait Crisis.

Creative Strategy

More than a few GCC states' strategists are trying to come up with a formula that will meet the requirements of all concerned. One way of offsetting or lending a sense of balance to such concerns is in keeping with the idea advanced earlier. Restated, it would be to provide China, France, and Russia with a comparable if not greater economic stake in the GCC countries than anything they might individually or collectively have in Iran or Iraq.

The decision to purchase arms from these countries — decisions that might not otherwise make sense from a narrow military point of view — gains credence when perceived in these broader geostrategic and geopolitical terms. Hence, Kuwait's agreement to purchase artillery from China, the UAE's purchase of equipment from France and Russia, and Saudi Arabia's acquisition of French naval assistance, British fighter aircraft, and Chinese missiles.

Over-the-Horizon Acquisitions

Quite apart from these considerations, two major defense procurements — representing potentially close to \$16 billion dollars between them — have yet to be decided. One is the UAE's stated intention to purchase a new generation of 80 advanced fighter aircraft. In the works for nearly a decade, and from time to time thought to have been decided once and for all in favor of either the French or the U.S., or possibly some combination of the

Lockheed Martin's F-16 Falcon remains the UAE's officially "favored" choice. However, in addition to the French offer, a European consortium of Great Britain, Germany, and Italy that have joined forces to produce the Eurofighter, is also in the running for the contract.

two, the sale remains to be finalized. At stake is a \$6-8 billion purchase order for the primary supplier.

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Britain, Germany, and Italy that have joined forces to produce the Eurofighter, is also in the running for the contract.

The latter two are formidable competitors. In a mixture of criticism laced with envy, many American critics remark that the Europeans and Russians are "light years" ahead of the U.S. in terms of price, the absence of constrictions on technology transfer, and means of creative financing as well as other economic inducements that could be proffered to help tilt the procurement process in their direction. The French and European consortium suitors, in short, are offering terms that, from a financial perspective, are infinitely more appealing than anything the U.S., for reasons of self-imposed ethical, legal, and political restrictions, is able to offer.

Whether Europe's comparative advantage on the financial and other fronts will prove irresistible and decisive remains to be seen. On technical grounds, both with regard to operational effectiveness as well as training, spare parts, maintenance, and follow-up support, there is little question that the U.S. stands above the competition. On cutting-edge geo-strategic, deterrence, and defense grounds, because 911 rings in Washington, not Europe, the U.S. is positioned even better.

But the UAE decision is not likely to occur in isolation from the prospects of another, equally far-reaching decision, yet to be taken in Saudi Arabia, on a defense matter of

equal, if not greater, importance. The latter decision pertains to the possible sale to Saudi Arabia of a major contingent of U.S.-manufactured F-16 fighter aircraft, similar to what is being offered the UAE, to replace the Kingdom's aging F-5s.

Third-Party Obstacles?

Yet, regarding the latter procurement's prospects, there are ominous and obvious signs of difficulties that may preclude a satisfactory resolution of any Saudi Arabian request, and/or American offer, that may be forthcoming. One big one is that Israeli officials have already said they will definitely oppose such a sale. In the interim, Israel's U.S. supporters have already managed to deny the UAE U.S.-manufactured Harpoon missiles for its new Dutch-built frigates. The frigates arrived in late 1997 with the missile casings intact but without the U.S. missiles.

Thus, for the immediately foreseeable future, the unlikely settlement of the Arab-Israeli conflict and one of its byproducts – the reluctance of many supporters of Israel to see the military component of the U.S.-GCC relationship grow much stronger than it is, unless offsetting, compensatory benefits to Israel are made part of the package – will continue to limit the prospects for immunizing the GCC countries from future aggression by either of their two eastern neighbors. The continued absence of an end to this non-Gulf conflict is almost certain to preclude what U.S. and GCC defense strategists seek to achieve: a guaranteed defense arrangement for the GCC region.

In lieu of such an arrangement are two agreements and one phenomenon that fall short of the need to maximize the GCC and allied coalition countries' defense capabilities against the twin challenges posed by Iran and Iraq. One is the modest and largely symbolic collective defense force, changed little since its formation, that was agreed to by the member states in 1984. The other is the GCC's Economic Unity Agreement, which, as discussed earlier, has some distance to go before it is fully implemented.

The U.S. Central Command

The phenomenon referred to above is the U.S. Central Command (CENTCOM). Since its formation nearly two decades ago in the aftermath of the Iranian revolution in 1979, CENTCOM (in its earlier permutations known as the Rapid Deployment Force and then the Rapid Deployment Joint Task Force) has played a central role in helping to ensure Gulf stability. CENTCOM is a major organization with an equally major mission in support of regional defense in an area that encompasses not only the six GCC countries, but also two dozen other Arab, African, and South Asian nations.

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Thus far, a basic CENTCOM strategy, co-formulated and adhered to by GCC and U.S. defense leaders, has been to keep the Iraqi armed forces and weapons-making facilities under inspection, Iran's forces under surveillance, and U.S. forces not only committed to, but actively engaged in assuring, the GCC countries' defense. In all of this, the strategy, thus far, has succeeded.

Iran and Iraq, boxed in by the manifestations of this policy, have lacked the possibility or the likelihood for independent military action. Largely because of CENTCOM's forward presence, its rigorous regimen of exercises with GCC countries' defense forces, and other features of the U.S.-GCC states' military arrangements, an important span of strategic space in support of regional peace has been secured for the moment. If U.S. political resolve and readiness to fight remain firm, neither Iraq nor Iran is likely to attack the GCC region in the immediately foreseeable future.

There are many reasons for this, but one stands out among the others. The U.S., following the demobilization of its 55,000-strong force that helped to bring an end to the 1980-88 Iran-Iraq war, poured back into the region with a force ten times larger that made it, from then until now, the protector of the Gulf.

Another reason is that, almost from the beginning, U.S. protection has included the forward deployment of some of the most advanced weaponry in the U.S. arsenal. Its intended use could not be more clear-cut: to protect the GCC countries from attack by the far larger forces of Iran and Iraq.

Lessons from an Era and an Error

A third reason has to do with lessons learned from the "inter-war" era, the name which many military and diplomatic historians and defense analysts use when referring to the period between the First and Second World Wars. As is well known, the inter-war years were a period when the U.S. military establishment down-sized to such an extent that, when World War Two broke out, America's armed forces were fewer than Rumania's.

Many believe that, in the aftermath of the Cold War's demise, Congress and portions of America's defense establishment are repeating the mistakes of the inter-war period to an alarming degree. The severe cuts in manpower and other resources that have taken place make it impossible to imagine the U.S., in a comparable time-span, being able to mount again the kind of force that was deemed necessary to evict Iraqi armed forces from Kuwait in 1991.

Critics point to the cuts as one among other examples of short-term decisions that were allegedly taken in response to domestic economic pressures. In support of this view, critics claim that, in the aftermath of Operations Desert Shield and Desert Storm to liberate Kuwait, more than a few U.S. decisions were made with a view to achieving near-term economic savings without due consideration for their possible negative implications for future defense needs in the Gulf.

Remaining Engaged

This is not the place to argue the merits or demerits of the case. However, there is a qualitative difference between what was done and not done in the area of force readiness and combat capabilities in the inter-war era and the situation that prevails today in the late 1990s. In the present circumstances, in comparison to the earlier period, one fundamental difference is that U.S. forces have remained engaged abroad. Asia and Europe are, of course, the best known examples of where sustained American engagement of military forces have made an undeniable contribution to regional defense and stability.

However, in terms of rigorous military training and exercises in support of the past decade's two most pressing challenges to regional deterrence and defense, the implementation of a defense strategy of engagement – of “near continuous presence” – is truer of the U.S. in the GCC region than it is in any place else in the world.

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A second difference is that U.S. defense planners have taken care to maintain a credible “surge” capacity – the ability to mobilize and deploy America's armed forces and other defense assets to faraway places with a degree of decisiveness and dispatch – that was noticeably absent during the inter-war era. The successful conclusion of five separate Defense Cooperation Agreements with as many GCC member states – agreements, which, among other things, allow for the pre-positioning of equipment, continuous consultation, and joint exercises – has been a crucial element of success.

A third difference is in the unrivaled and ongoing technological advancement of certain kinds of American weaponry and armaments systems in support of deterrence and defense strategies. There is no denying that no other country comes even remotely close to matching the U.S. in either the quantity or quality of their armed forces' effectiveness in terms of equipment, training, exercising, budgetary outlays for research and development, communications intelligence, reliance upon an all-volunteer military, and overall strategic as well as tactical command.

Even so, CENTCOM – America's shield – has not made everyone happy, least of all Iraq and Iran. The latter has been rebuilding its naval forces and demonstrating an increased capability to cause havoc – in the Gulf's shipping lanes and against GCC countries' offshore drilling rigs, production platforms, undersea pipelines, export terminals, desalination installations, and electric power-generating plants. But under CENTCOM's protection these past seven years, the GCC region has been safe, and, in being safe, it has been allowed to prosper.

SECURITY

No discussion of security issues pertaining to the GCC region should commence without a firm and clear understanding among the discussants regarding the concepts and terminology used to address this phenomenon. To begin with, it is important to underscore that many outsiders frequently use the terms "defense" and "security" as synonyms.

This often leads to confusion. In so doing, the implication is that the conceptual meaning of "defense" is practically interchangeable with, if not exactly identical to, the meaning of "security." In Arabic, however, this is not the case. The two words mean different things. Defense, or in Arabic "*difa'a*," in the GCC region and elsewhere in the Arab world, almost always pertains to a country's national, external defense. Accordingly, the concept deals with such phenomena as a country's international airspace, its territorial sea, and its borders with neighboring countries.

"Security," or in Arabic "*aman*," is something quite different. It is at once more diffuse and less concise in its interpretation than "defense." Security spans terrorism, sabotage, subversion. It includes assassinations and the willful perpetration of other kinds of harm to individuals as well as institutions. In this context, it can take the form of physical violence, as in murder, mayhem, and vehicular bombings — such as the ones against the offices of the Saudi Arabian National Guard in Riyadh in November 1985, or the June 1986 Al-Khobar Towers explosion in Saudi Arabia's Eastern Province occasioned by a truck laden with explosives.

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But much of Western discussion about security challenges in the GCC region is devoid of background, context, and historical perspective. For example, few seem to be aware that, in the nearly seventy years of Saudi Arabian relations with foreign countries in this century, entire decades have passed without a single American being killed in the Kingdom in any way other than automobile accidents. Indeed, statistically, since the U.S. recognized the Kingdom in 1932, the number of Americans who have been killed in Saudi Arabia is on the order of something like *one every four years*.

With regard to the two horrendous attacks referred to in 1995 and 1996 above, it is easy to overlook that, despite those tragedies, Saudi Arabia was otherwise home to a greater degree of peace and tranquillity for nationals and foreigners alike (apart from drug dealers, for whom the penalty is death) than arguably any other country in the world.

The Challenges

In the GCC region, as elsewhere, security challenges often also come in smaller packages. Examples include the establishment and operation of underground cells that seek to overthrow a regime. They encompass efforts to bring about economic and societal chaos.

They span the clandestine operations of printing presses that spew forth radical, militant, or extremist messages aimed at the revolutionary transformation of a country's rules and regulations. They include the conscientious attempt to sow distrust and contempt for the governmental status quo and for specific government policies and positions.

From an analytical perspective, security, in the context of the GCC countries, is therefore viewed differently than defense. But of equal importance, security is viewed as different from defense in an operational context as well. Defense can be, and often is, the more expensive – and potentially, because of the scale of violence employed, the more devastating – of the two challenges.

These latter two aspects of defense challenges are, in the first instance, attributed to the significantly higher cost of armies, navies, and air forces, as well as air, ground, and sea defense facilities and systems and, also, the costs of mobilization and deployment, as evidenced by the hundreds of billions of dollars spent and/or lost as a result of Iraq's invasion of Kuwait. In the second, it is ordinarily because of the significantly greater numbers that usually end up getting killed.

Security challenges, by contrast, can be and often are less expensive. Unlike the price tags for modern defense systems, the costs, like the currency in which they are paid, are primarily in-country ones; they are local. At the same time, however, what is especially unnerving about security challenges is that they are usually far more numerous and diffuse as well as less easy to pinpoint and measure with a comparable degree of precision. In addition, security challenges can, and in many people's minds do, encompass the so-called "poor man's" weapon – e.g., biological or chemical weapons, or both – which can be difficult to detect and defend against.

From yet another perspective, defense can metaphorically be likened to something nearer a set menu. By contrast, security is much more nebulous. It can be seen and analyzed as something akin to a smorgasbord with respect to which the chefs specialize in serving a seemingly endless variety of concoctions designed to confound if not elude an adversary's effective control or resolution.

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Conceptual Confusion

The problem is not with the way GCC leaders define the two concepts. On the contrary, GCC leaders take care to draw very clear distinctions between them. Rather, the difficulty is with the way that many Westerners confuse the two concepts. There is little, if any, sense in treating the two concepts as synonyms when, as defined by the people who live in

the GCC countries, they refer to two completely different phenomena. This basic misunderstanding has the potential to produce the direst of miscalculations in matters pertaining to GCC defense and security.

Because of its greater sensitivity – for it deals more with one’s fellow citizens than outside adversaries – and because of the extraordinarily greater range of complexities and components that GCC security challenges entail in comparison to defense issues, what GCC leaders agree to on security issues from one summit to the next is often shrouded in obscurity. Beyond the deliberately nebulous one-sentence statements about security that often appear in the summits’ communiqués, what is acknowledged and publicized on this subject is even less than that which is announced as having been agreed to on matters pertaining to defense.

In this regard, it is significant that, in this year’s final communiqué and in their additional post-summit comments for the record, GCC leaders announced that they did little more than agree to the recommendations of the six states’ ministers of interior this past November. Any effort to tease from such elusive commentary what has actually been agreed to must rely upon other means to get at the substance of the matter.

Analytically, for starters, one has little choice but to rely upon one’s familiarity with what has been attempted before and with what is in place and underway with regard to security issues in general. In this manner, one is not entirely lacking in a means to arrive at a perspective that, at least potentially, may be of some interpretative interest and value. A combination of anecdotal material, direct observation, meetings and discussions with those who work the issues on a regular basis, and inference from what has not been announced, but is in fact known to be taking place on the ground, can produce a nuanced perspective of what is and is not happening on the security front.

Constants and Variables

Common to defense and security challenges alike, however, are a range of constants and variables. Among the former are vision, leadership, organization, energy and other resources, plus conviction, commitment, and courage. In the GCC context, because defense and security issues are also often infused with the member states’ cultural values and religious principles, there is also a significant component that is moral.

Knowledge and understanding of the way in which not only concepts but plans and policies related to defense and security issues are perceived and addressed differently by GCC countries’ leaders, and by their allies, is likely to remain one of the most important factors in determining the prospects for success of GCC military strategists and their allied coalition partners as they confront the twin challenges of defense and security.

Among the variables that determine any GCC country's defense and security strategies are: (1) the intellectual, philosophical, and analytical capabilities of the country's leaders; (2) the operational and logistical mechanisms of the existing security apparatuses and systems; (3) the nature and extent of available financial, technological, and related resources; (4) the nature and degree of other, competing national priorities, and (5) the degree of dedication combined with prudence, patience, and persistence by leaders entrusted with defense and security responsibilities.

Knowledge and understanding of the way in which not only concepts but plans and policies related to defense and security issues are perceived and addressed *differently* by GCC countries' leaders, and by their allies, is likely to remain one of the most important factors in determining the prospects for success of GCC military strategists and their allied coalition partners as they confront the twin challenges of defense and security.

For those who seek the establishment of a truly effective GCC region-wide system of deterrence and defense, an appreciation of the analytical and operational implications of the differences between the two concepts and challenges is not an option, but a necessity. In this regard, it helps to know that what occurs from any one GCC summit to the next with regard to security and defense issues needs to be viewed and analyzed from within a substantially different context and perspective than that which outsiders, especially Westerners, ordinarily apply to such issues.

Legal Measures

From this perspective, it will be seen that what was discussed earlier with regard to the economic benefits of unifying the six states' civil and penal codes also has major implications for enhancing intra-GCC security. Each year, Western analysts make much to do about the inability of the member countries to reach a binding and comprehensive security agreement. In so doing, they almost always point to Kuwait's stated reservations,

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on constitutional grounds, to accommodating the preferences of the others on such matters as the "hot pursuit" and extradition of criminals.

time ago, a range of different and complementary means of remedying the real and potential lapses in their security systems. The decision in this year's summit to adopt a single penal code applicable to all GCC citizens was meant to send a very powerful message to would-be criminals and terrorists within the region.

However, in making this the point, a more basic point is missed. That is, the GCC heads of state in general, and their security, police, intelligence, judicial, and penal authorities in particular, devised, quite some

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Outside Interference

In addition, this year the summiteers adopted an entirely new tack on an aspect that is categorized under "terrorism", "subversion", and "security." In so doing, the GCC leaders addressed remarks to the European Union countries that, in their force and tone, were without precedent in the organization's history. The remarks, in no uncertain terms, took the form of a stern reprimand of the European Parliament for its barbed criticisms this past Fall of several GCC countries' judicial systems and procedures with regard to human rights issues.

Just as the GCC governments, for the past ten years, have consistently insisted that other countries must not interfere in the GCC countries' domestic affairs, so, too, did the GCC leaders on this occasion make clear that, in this matter, Europe is to be treated no different than anyone else.

With the exceptions of specific references that are almost always made to Iran, Iraq, and Israel, GCC summit communiqués characteristically seldom mention, by name, a country or government whose actions or policies are deemed to be particularly offensive. But, unofficially, British politicians, along with some of their colleagues at the seat of the European Parliament in Strasbourg, are among those Western political leaders frequently cited as having raised the ire of GCC countries' leaders the most.

Dissidents and Terrorists: A Balance Sheet

In this instance, the most recently offended GCC countries are primarily Bahrain followed by Saudi Arabia. For the past several years, in the case of Saudi Arabia, and for a far longer period in the case of Bahrain, dissidents from these two countries have published newsletters, broadcast radio programs, sent international telefaxes, and utilized the Internet to attack the governments of these two GCC countries.

The great majority of the Bahraini dissidents are from the heterodox Shia sect of Islam. Their political demands are numerous and multifaceted. Among other things, they call for: (1) restoration of the elected national assembly that was dissolved more than two decades ago, (2) release of certain prisoners, and (3) an end to alleged discriminatory employment policies administered in the name of national security on account of some – but not overwhelming numbers of – Bahraini Shia who were arrested and imprisoned for committing criminal acts against the state, including ones intended to overthrow the government.

1994, a year when the annual GCC Heads of State Summit was held in Bahrain, marked a high point in the rates of politically-inspired violence and security threats in the island state. Most of the attacks were directed at people and various installations associated with Bahrain's hotel, restaurant, banking, and other economic sectors. To date, the sizable presence of the U.S. Navy's Fifth Fleet in Bahrain has been unscathed.

The Challenge's Roots: Domestic and/or Foreign?

The continuation of this latter phenomenon, in the eyes of some, has lent credence to the view that the roots of Bahrain's security challenge are more domestic than foreign, and more economic than political. The latter assessment is subject to a greater divergence of opinion, and with reason: the challenges have been laced with demands for political reform and economic measures to improve the material well-being of the Bahrain people.

Most of Saudi Arabia's known dissidents, like Bahrain's, are either in prison or have elected to live in largely self-imposed exile abroad, mainly in London. An exception is Ossama Ben Laden, one of the more renowned figures who has lived in Afghanistan for some time. He and others, many with Afghani, American, and Pakistani help, learned guerrilla warfare skills there in the long, drawn-out campaign to oust Moscow's Red Army which had invaded the country in 1979 and remained until driven out in 1988.

However much the GCC peoples might wish it were otherwise, it is likely that neither the GCC region nor the rest of the Arab and Islamic world have heard the last from the so-called "Afghan Arabs". Many of them, like Ben Laden and others, remain deeply alienated from the governments in their homelands. They and their colleagues long to replace these regimes.

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In the past year, the intensity of the regional dissidents' rhetorical condemnations of the Bahraini, Saudi Arabian, and other GCC regimes, if not also their organizing and degree of success in attracting new followers, appears to have lessened. Whether this is a sign of their waning credibility, greatly diminished resources, or a strategically calibrated time-out in order to regroup their forces, devise new tactics, and renew their commitment to violent change — or all of the above — is, at best, uncertain.

Strengthening Security Cooperation

Two other summit decisions have direct bearing on security issues. One was the decision to devise, within two years' time, an electronic GCC citizen ID card. Once in place, this will eliminate the need for visas for GCC nationals to travel within the GCC. At first glance, this may seem to some as likely to exacerbate intra-GCC security challenges. However, the new system's proponents view the matter from a broader perspective. They

see it as easing the means for GCC goods, services, and people to circulate, thereby giving greater vent to the need for tangible ways in which to heighten the sense of GCC-ness and unity of purpose among the member countries.

At another level of analysis, the system's implementation will necessitate far greater and more effective cooperation on security issues between and among the GCC countries. Whereas, presently, it is the embassies and ministries of commerce and foreign affairs that govern much of the human flow of intra-GCC dynamics, these bodies will henceforth be assisted to a greater extent than before by intelligence, police, border security, labor and social affairs officials, and even representatives of education ministries.

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Employment Issues

As important if not more so than these measures are others that, away from the limelight of summits, are deeper, broader, and more far-reaching in their effect – not only economically and socially, but, also, and especially, with regard to security. These measures have to do with what are ordinarily subsumed under employment, training, and human resource development. To officials within the GCC countries' ministries of interior, and in the eyes of their colleagues in other governmental agencies, each of these phenomena is brimming over with real and potential implications on the security front.

An important intra-GCC consensus with regard to security matters has emerged over the past two years. Previously, it was the ministries of labor and social affairs that were charged with the challenge of providing and sustaining increased opportunities of employment for the GCC's citizenry. Today, these ministries – and other government agencies, such as civil service commissions and the ministries of commerce, development industry, and planning – remain involved, but other dimensions of the task are increasingly being assumed by the ministries of interior.

With regard to the goal of enhancing the prospects for intra-GCC security, this important change in terms of how the GCC countries are addressing the challenges of rising unemployment has important policy implications. It is apparent that the GCC leaders have decided to leave nothing to chance regarding an issue that holds serious long and short-term ramifications for these countries with regard to political, social, and economic issues. Among the more prominent and pervasive of such issues are the present and future prospects for: (1) greater GCC prosperity *cum* sustained economic growth; (2) enhanced confidence among local and foreign investors; (3) the formation of profitable joint ventures; (4) technology transfer; (5) favorable international credit ratings, and (6) the narrowing if not closing of fissures between the people and their leaders.

The Foreign Labor Variable

The question remains – how well are the GCC countries likely to fare in meeting this extraordinarily complex and multifaceted challenge? In the interim, several developments bear watching as to their implications for near and long-term security. One is the extent to which GCC countries' governments are not only aware of, but actively addressing, the costs and benefits that accrue from the GCC region's ongoing heavy reliance on foreign labor. Alleviating the region's overwhelming dependence on expatriate workers will not come easily or swiftly. The economic, social, and political benefits are simply too vast and too deeply embedded in the national psyches.

If the GCC countries were to disgorge their expatriate populations, throughout much of the region, schools would close, hospitals and clinics would cease operations, streets would not be swept, garbage would not be collected, and ships would not be unloaded. In general, that which in any society constitutes the more physically arduous and socially unacceptable labor for the citizenry and others would simply not get done. The ensuing chaos would likely pose a serious threat to security.

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And as those who have tried to do so have discovered, it will do little good to exhort employers among the citizenry to hire only their nationals. This would result in their immediate loss of benefits. Labor that is cheap, apolitical, and largely grateful as well as uncomplaining and undemanding, can, and often does, spell the difference between an economic enterprise being run at a profit or a loss.

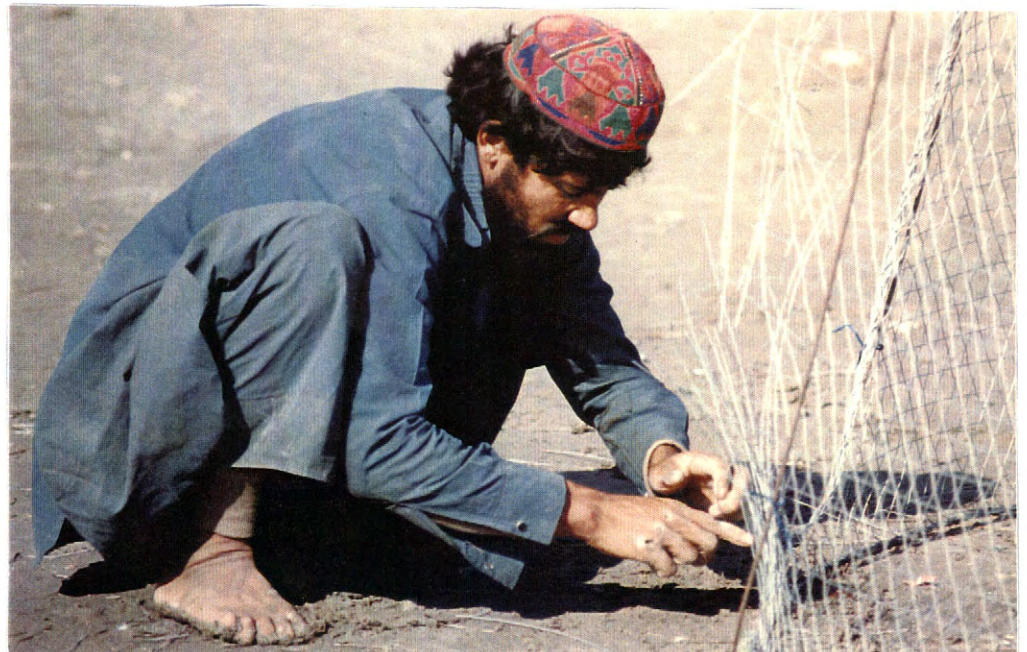
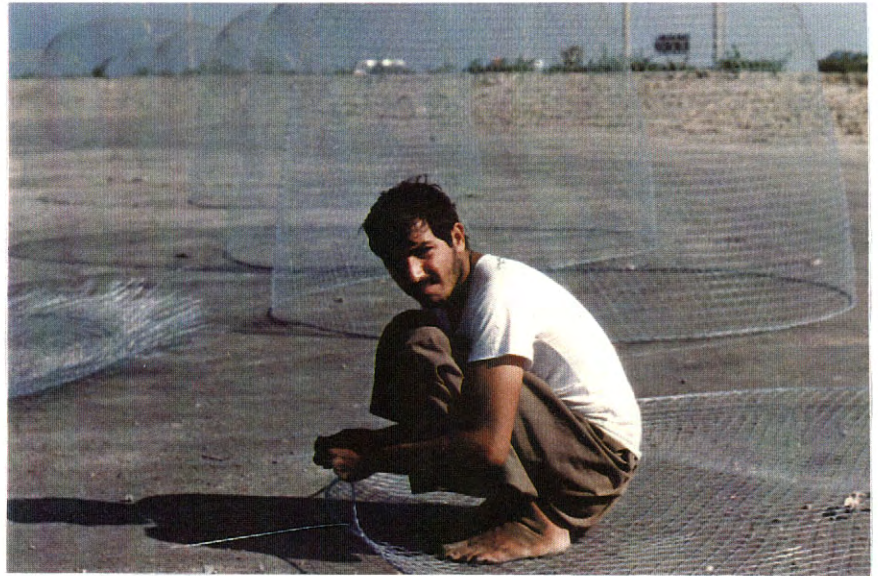
The challenge at hand is therefore not only infinitely complex and multifaceted, involving basic economics as well as incentives, rewards, training, and the assurance of societal safety nets for those incapable of coping or adapting. It is also one for which – as in the case of how best to render the Gulf peaceful and prosperous on a more or less permanent basis – conventional wisdom posits no quick and easy solutions.

A Multi-Faceted Task

For much of the past several years, this topic has surpassed all others as one of mounting national concern in virtually all of the GCC countries. For a great many GCC countries' leaders, thinking and talking about it almost endlessly has become one of the most frequently indulged if seldom enjoyed pastimes. In discussing it at any length, many admit they are daunted by the sense of a growing urgency to meet the challenge. Others, and not only those fixated on the potential security aspects of the situation, seem to find it all too easy to fault this or that element in explaining how their countries got themselves into this situation.

THE CHANGING FACE OF EXPATRIATE LABOR IN THE GCC REGION

The nationalization of the GCC member states' labor forces will take years but, over time, is likely to have a profound impact, not only on the GCC countries societies, but, also, on their economies.



Students increasingly blame employers for not hiring them. Employers blame the students' professors for having failed to teach them the requisite skills and work habits necessary for them to be competitive in a continuously changing marketplace. Professors say it is not their fault. "Why should we be blamed for doing what we were trained and hired to do? If we are not doing what is needed, then doesn't the problem lie at the feet of those who recruited us to do what we are doing?"

In this regard, there is a heightened national awareness throughout the GCC region that, while economic and business opportunities abound, the economic "boom" days of the 1970s are history. Few in the 1990s believe that the security, economic, and related reasons for tackling the employment and training challenge head-on can be postponed any longer or that market forces alone are likely to solve the problem.

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More specifically, a combination of all of the following is being pursued with reasonably due diligence in every GCC country: (1) repatriation of the vast numbers of foreign worker "over stayers" whose visas and work permits have expired; (2) introduction of fees and new employment policies that make it more costly and otherwise difficult for employers to meet their labor requirements abroad instead of locally; and (3) renewal of licenses and permits for employers to hire foreign workers only upon provision of concrete evidence that the employer has undertaken and successfully completed arrangements to increase annually, by a set percentage for the coming decade, the ratio of nationals to foreigners among the establishment's work force.

Hastening the Transformation

Simultaneously, GCC governments are employing a range of additional tactics to hasten the pace and extent of the transformation required if societal unrest is to be avoided or contained. These include an increase in the extent to which government contracts are granted to local firms not only on the basis of price but also on the basis of the extent to which the company can demonstrate a serious commitment to nationalizing its labor force.

Efforts are being made to encourage chambers of industry and commerce to mount their own programs designed to meet employer labor needs with more qualified nationals. They take the form of providing high-profile recognition and commendation to firms whose policies and practices are aimed at employing higher percentages of local labor.

Pronounced media campaigns publish, broadcast, and televise, on a daily basis, the nature of the challenge and its dimensions in depth and detail on national, provincial, and local levels. These include use of the members' national consultative forums as well as seminars

among professional and business associations highlighting the challenge and addressing practical recommendations for its resolution.

Relevant Models

In the view of this writer, it is unrealistic to expect that the security and related challenges associated with employment issues can be surmounted or brought under control within a decade. If only to highlight the crucial component of lead time likely to be required, a model that may be relevant is Saudi Arabia. In the early 1960s, because a Nasserite armed threat was literally on the Kingdom's southwest doorstep, Riyadh found itself trying to prevent a civil war in Yemen, in which Egypt supported the insurgent Republicans and Saudi Arabia backed the Royalists.

Riyadh's position was complicated enough without the additionally compounding factor of there being hundreds of Saudi Arabian students enrolled at universities in Cairo and elsewhere in Egypt at the time. The Kingdom then made the strategic choice to reorient its system of higher education away from Egypt — whose media outlets and troops in Yemen were calling for the overthrow of the Saudi regime — and towards more technologically advanced and less physically threatening milieus.

The decision to cease sending all but a relatively few Saudi Arabian students to Cairo and to begin sending them elsewhere, mainly to universities in Europe and North America, did not come easy. On both sides, those with vested interests in the status quo resisted. But once the decision was made, by then Heir Apparent Prince Faisal, with the blessing of the King and the rest of the ruling family, it stuck. In the course of its implementation, the nature and orientation of the Kingdom's national and international dynamics underwent several, rather dramatic, transformations.

One far-reaching change was with regard to the country's ambitious plans for modernization and development and the need to diversify the Kingdom's economy — decisions to move forward in these and related areas, which were made possible only by tackling the educational and training challenge head-on, soon followed. Overall, this decision, combined with the U.S. Air Force's strategic and tactical support for the Kingdom throughout the 1962-67 Yemen civil war, did a great deal to extend the long-term Saudi Arabia-U.S. strategic relationship to fields beyond energy, economics, and defense of the country's oil installations.

Vision and Perspective

A similar vision and perspective may be needed if the region's education *cum* employment, security, future development, and self-reliance challenges are to be dealt with effectively. This is the context for concluding that, in order to come to grips with the potential for this challenge, one may need to think and plan in terms of a multifaceted and sustained effort, entailing not years, but decades, in order to lay this mounting menace to rest. At the end

of the transformation, the situation, insofar as employment is concerned, may look something like the following.

Instead of employers thinking first about how they can import the requisite number of overseas workers to make their proposed or existing venture more profitable, they would have become accustomed to scouring the local labor market for citizens able and willing to do the job. The graduates in such a realistically envisioned future will have little choice but to realize that their actual options are few and far between.

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Indeed, the graduates may reluctantly, but realistically, arrive to a recognition that there is nothing shameful or negative in choosing to accept a job in a nearby community – or, if need be, in deciding to live and work some place further away. This is especially likely to prove the case if the practical possibilities come down to a choice between no employment – and therefore a much lessened chance to marry or raise a family – or emigration.

It is in the nature of the enormous task at hand that success in this area is likely to be slow and difficult to achieve. Any changes that occur are likely to have an impact on societal values, traditions, notions of individual self-worth, and age-old communal mores.

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In the interim, many GCC citizens may persist in denying that such challenges affect their people and societies. The task of surmounting this particular pan-GCC phenomenon in all its many facets, or at least rendering its security dimensions more manageable, will likely continue to be one of the most daunting of all GCC challenges.

CONCLUSIONS

As with the aftermath of an extended meeting of any leaders in a region of vital global concern, the true significance of what did and did not transpire at the 18th GCC Heads of State Summit and Ministerial Council sessions in Kuwait will provide material for debates and discussions among specialists and others for some time to come.

As an end note to the observations and analyses offered herein, there may be value in drawing out some of the larger patterns at play between and among the GCC countries and their leaders, and between them and their international allies, at this historical stage.

Images From a Rear View Mirror

If the GCC countries' citizens look back on at least nine of the past eighteen years – half the GCC's existence – they will see two periods laced with violence and vindictiveness as a result of wars instigated by one of their two eastern neighbors. Throughout 1980-88, Iraq and Iran warred and tore each other's populace apart. Lacking effective military capabilities of their own to stop the slaughter, the political and diplomatic capabilities of the GCC peoples and their institutions – the GCC itself, its joint defense force, the League of Arab States, the Organization of the Islamic Conference, and OPEC – were strained to their limits.

With less than two years' time out, Iraq invaded Kuwait in 1990. The attack brought a massive response from the U.S.-led coalition that devastated the Iraqi army in a war in which, on the coalition's side, more troops were killed by friendly fire than by the aggressor.

If the GCC's journey of the past eighteen years is deemed largely a success, it is partly the result of the anxiety and palpable race against time that were generated by these crises. Perhaps only a group of countries so threatened could have been compelled to build something new so dramatically. Certainly, at the GCC's inception, GCC polities the length of the Gulf were intimidated by the revolutionary and bellicose rhetoric of Iran.

One GCC foreign minister who went to meet with Iran's Ayatollah Khomeini on behalf of his colleagues in an effort to ascertain whether at least some semblance of common ground might be found between the two sides of the Gulf, said, "I hadn't gotten more than twenty minutes into my presentation when Khomeini interrupted me and as much as said, 'Look, I know why you have come here. You are wasting your time. You and all the others' – by this he meant all six GCC countries – 'are going to get what you deserve. You haven't any hope.'"

In light of the circumstances, close consultation and consensus among the GCC countries' leaders became, more than ever, essential to their survival.

This was not long after the Iranian Revolution had commenced in 1979 and before the Iran-Iraq war began, after which the reasons for anxiety increased as a spillover from the conflict seemed likely in many parts of the region. In light of the circumstances, close consultation and consensus among the GCC countries' leaders became, more than ever, essential to their survival.

Paralysis and Fear

The basics for a credible defense system, in association with their major strategic partners in the West, were not exactly lacking. However, military bases and airfields, navies, warships, air defense systems, and related infrastructures were hardly adequate for anyone

to pretend that, if attacked, the GCC countries could protect themselves. A collective defense force – not even the modest symbolic one they established in 1984 – was non-existent. From Kuwait to Muscat, the GCC region was all but paralyzed and deeply fearful.

The GCC states' descent from self-confidence had begun with the Iranian revolution's onset, which set in motion an outburst of radical fervor all along their eastern flank. Before the fall of the Shah, the GCC countries, although not yet formed as a regional organization, had become a force with which to be reckoned. Kuwait, Saudi Arabia, and the UAE Emirate of Abu Dhabi had accumulated considerable goodwill among nearly ninety countries that had accepted their economic assistance.

By 1983, after the precipitous drop in the price of oil, the donors' economic assistance programs had contracted. Their political capital had dwindled. In almost every sense, the GCC region was on the defensive. It would remain so from then until the first U.S.-led allied coalition, consisting of nearly two dozen countries, brought the Iran-Iraq war to an end in August 1988.

In the aftermath of that war, there was an eagerness to return to what people remembered as normality. In the process, few paid sufficient heed to the storm clouds gathering over the horizon that, two years later, would burst and leave in their wake the disaster produced by Iraq's invasion and occupation of Kuwait. The GCC countries were not only incapable of resisting Iran and Iraq, but they longed to return to their economic development quests that had little to do with the Iran-Iraq situation.

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Options and Implications

The Iran-Iraq War and the 1990-91 Kuwait Crisis highlighted the fact that U.S. defense assistance to the GCC countries had to be linked to a long-range military build-up plan. The U.S. and other allied assistance achieved nothing less than the salvation of the GCC countries' national sovereignties, political independence, and territorial integrity. Without such assistance, it is hard to imagine that the GCC region would have been able to remain intact.

At the onset of the first of these conflicts, the U.S. let the leaders of the GCC countries know that it was willing to assist, but they must do the maximum possible to enhance their own defense capabilities. At the end of the first GCC summit in May 1981, Oman and Saudi Arabia agreed to take the lead in forging a consensus on the need for defense cooperation among the members, and Riyadh and Muscat did lead. Saudi Arabia, Kuwait, and the UAE came up with more than \$2 billion to help strengthen the defense of Bahrain and Oman. Saudi Arabia also purchased AWACS aircraft, which effectively extended the

degree of air defense not just for Saudi Arabia, but, by extension, several other GCC states as well.

Foresight and Initiative

The vision and initiative of Riyadh and Muscat on defense matters was one thing, yet implementation was another. At every step along the way, each GCC state had and still has the right to say no. In several cases, powerful GCC country leaders did. A high-ranking official of one GCC state, convinced that the members would be mistaken if not reckless and foolish to embark upon a path leading to greater defense cooperation with one another bellowed, "We'll beat our enemies with battalions of banks, not bullets."

But it was Oman and Saudi Arabia that succeeded in insisting that the GCC countries take such matters seriously. At the time, Oman had a particular obsession with security. A pro-Soviet Marxist-oriented regime was Oman's southern neighbor, and Moscow's Red Army was but a short flying time distant from the Sultanate, the nearest GCC country to the conflict in Soviet-occupied Afghanistan. When Sultan Qaboos made the call to recommend defense cooperation at the final session of the first GCC summit in Abu Dhabi in May 1981, the moment was so charged with emotion from awareness of the potentially dire implications of what could follow, that the room was hushed with an eery silence.

Most of the other delegations' leaders would have preferred that he leave such a potentially explosive idea unspoken. But Qaboos was not to be silenced. He saw no contradiction between Omani and other GCC members' independence and a role for the United States, Great Britain, and other countries in GCC defense. He noted that there could be no salvation for the GCC countries unless the members' powerful friends became committed to their protection.

Some analysts of the much vaster and more detailed defense arrangements that have been entered into since then, and remain in force to this day, are highly critical of what has taken place. Many continue to say that the U.S. is motivated purely by self-interest, if not greed, that it is taking advantage of the weakness of the GCC countries' defense establishment to establish its own hegemony. But memory is a capricious thing, and history, if its definitive chapter had to be written today, is likely to be less harsh.

Opinion and Supposition

It is in the U.S., and indeed the global interest, not to let the GCC region succumb to either Iraqi, Iranian, or any other domination. Critics retort that, with Iraq under inspection and intrusion, and Iran under surveillance as well as under a prolonged American unilateral embargo, there is no real danger from either Iraq or Iran. But this is supposition and opinion.

What counts is the legitimate basis for the GCC countries' fear of Iraq and Iran. A look at the problem for the past decade and a half demonstrates that this has, more often than not,

been the reality. Saddam Hussein of Iraq and more than a few of Iran's senior clerics have understood that fear and how to exploit it. Although neither Iran nor Iraq may, as yet, have acquired the capacity to build nuclear weapons, both have been prepared to take the risk to obtain it and pressure the GCC countries into being extra-cautious in entering into too close a relationship with the United States.

Most agree that they must find some sort of arrangement that will blunt the penchant for hegemony that has been a major precursor of both wars. In addition, they also agree that they must find a way to relegate Baghdad's and Tehran's desire for revenge – against each other, the GCC countries, and the allied coalition – to the past.

As the GCC countries continue to recover from the two wars that have occurred during the GCC's existence, their leaders – at this summit and every previous one for the past seven years – have continued to search for a way to make certain that there will not be another. Most agree that they must find some sort of arrangement that will blunt the penchant for hegemony that has been a major

precursor of both wars. In addition, they also agree that they must find a way to relegate Baghdad's and Tehran's desire for revenge – against each other, the GCC countries, and the allied coalition – to the past.

Unfinished Business

On the economic, political, and internal security fronts, there remains much to be done. The most pervasive and hitherto elusive challenge will be to find additional ways to assuage the GCC's intra-regional divisions. In this regard, and in others as well, the task will be to contain these divisions as much as possible while simultaneously continuing the effort to integrate the interests of the GCC states so thoroughly that they would not consider dismantling it. With ample economic resources, sound planning, competent implementers and administrators, and with the ongoing defense commitment of their friends and allies, such a goal is within reach.

Saudi Arabia's Heir Apparent, Crown Prince Abdallah, who has led the Kingdom's delegations to each of the past three GCC summits, has come as close as anyone to getting it right. At the sixteenth summit in Oman three years ago, standing in for an ailing King Fahd, he remarked that he had just begun to feel comfortable with the concept and implications of "the global village". Only, in his view, the metaphor of a single house appeared to be rapidly overtaking that of the village, which not only has many houses but, also, districts and neighborhoods. Without anyone marking the calendar to note the date it occurred, the single house metaphor seems apt: this is what the GCC is becoming.

In the GCC region, six ruling households and many smaller units aligned to them are refurbishing many different old dwellings and trying to reshape them into a new kind of edifice. In a land famous for its builders of earthen mud brick, palm frond huts, and stone, it is a difficult architectural challenge.

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A Silver Lining...

In any effort to assess the results of the GCC experiment thus far, the question has to be asked: where else among the Arab countries, the Middle East, the Islamic world, or, for that matter, the world's 125 developing countries in general, can one find a conglomeration of six politically similar and geographically contiguous countries that are as prosperous, largely peaceful, and moving towards eventual integration as swiftly as the GCC's member states?

...Amidst a Clouded Skyscape

Yet conventional predictions among many who view the GCC members as oil wells rather than as countries would lead one to envision a quite different GCC region – one that, like other once prosperous areas, has entered an immutable period of decline. The GCC region now has, compared with other developing areas, the highest birth rate, mounting unemployment and underemployment rates, continuing high social expenditures, very low industrial growth rates outside Saudi Arabia, weak research in key sectors of information technology and enhanced oil recovery techniques, and few patents.

Continue to paint the picture. Even the GCC's renowned petroleum and gas industries are precariously perched in the sense that they are dependent upon external demand – upon, among others, the once booming Asian economies that are in need of rejuvenation and reform. And though the GCC countries' share of the world's energy industry remains higher than anyone else's by far, this, too, may decline when competitive alternative sources of energy enter the market.

Possible Scenarios

One way to mitigate these challenges would entail that the member states agree to be assembled into a single bloc. Such a bloc would have a more or less unified economic space in which all or most GCC members shared a common currency.

This enlarged GCC market would likely be increasingly open to outside investment, but it would not be absolutely necessary for the members to have a common budgetary, fiscal, or social policy in order to derive the benefits from such investment. If only for reasons owing to geography – in size, the GCC region is larger than all of Western Europe combined – but also as a result of its prodigious untapped wealth, *i.e.*, half of the world's proven reserves of petroleum and one-seventh of its gas reserves, such a conglomeration of countries may find themselves under the *de facto* domination of the region's premier economic superpower, Saudi Arabia, which owns nearly 30% of the world's oil reserves. This is one scenario. Its logic is compelling, its possibilities seductive.

Another scenario, less ominous or dire in its implications, is that the GCC's more economically endowed countries – Kuwait, Saudi Arabia, and the UAE – could possibly give birth in the future to leaders who might elect to refuse responsibility for their less fortunate neighbors and/or, as a means of compensation, would insist on dominating the GCC's policymaking and decisionmaking bodies.

Yet another scenario is imbedded in the possibility that no one may RSVP to the GCC's economic needs. If the GCC countries fail to attract ample amounts of foreign investment and technology – key as these factors are to job creation, training, human resource development, access to foreign markets, and much else – they may fail to be as competitive as other regions.

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and near term prospects of this six-state experiment that has made significant accomplishments in a relatively short span of time.

A Glass Half Full and Filling...

This different way of assessing where the GCC is at the present time and where it is headed is admittedly bullish on its long-term prospects, although not without caveats and other reservations. To state what is clearly within the GCC countries' reach, if they can do what is necessary to grasp it, what appears to be attainable is a very special niche:

namely, together with China and other Asian countries, one of the developing world's most influential economic powers of the 21st century.

However, to achieve such a niche, GCC countries' leaders will need to share their belief that mastery of the marketplace alone will not assure their commitment to a shared future. Economic laws are not the only laws that dictate social order and respect as well as influence among nations. There is also vision and leadership. Other than building a more secure, stable, and prosperous GCC future, there will need to be political will, resolve, a view of the future, and institutions that adequately reflect the needs, concerns, interests, and aspirations of the GCC citizenry.

...and the Loneliness of the Long Distance Runner

What is needed is not some starry-eyed dreamer, but the creation of a vision and a cadre of leaders to match it – an assemblage of GCC heads of state, foreign ministers, Secretariat bureaucrats, whatever – that can fasten its gaze upon at least a generation, and preferably half a century, down the road and weigh as well as judge all subsequent GCC actions according to how they contribute to this emboldened road map, this vision of the future.

If one must be specific as to what this may entail, the following is likely. There would seemingly be no way to avoid the establishment of pan-GCC political institutions to complement and indeed complete the economic and defense unity that is evolving at its own pace despite the absence of an agreed-upon terminology to describe the process taking place.

If only as a means of compensating those member states that are economically less endowed, it is likely that the GCC, to remain intact and retain a sense of vibrancy among all its members, may sooner or later have to agree on a pan-GCC finance fund, treasury, or a development mechanism by some other name that will ensure that its materially less fortunate members will not be left by the wayside.

Twenty years ago, before the GCC was formed, it might have been said that, even further down the road, the GCC will also entail the creation of a supreme court of some kind and an assembly of representatives of the member countries. But as evidence that time refuses to stand still, the GCC leaders at the Kuwait Summit took two giant strides in both of these directions. The decisions to unify their civil and penal codes and create a pan-GCC consultative council show that time – and in this case, timely and relevant ideas – waits for no one.

Linking Infrastructure and Dreams

With the establishment of these and other kinds of institutions that coordinate and integrate functions common to all six members, the GCC will likely increasingly acknowledge that it has no choice but to install, with the help of its private sectors, a

GCC AGRICULTURE AND DAIRY INDUSTRIES: THE ROAD TOWARD SELF RELIANCE



network of transportation and communications infrastructure – the former linking every GCC city, town, and village, the latter connecting an ever-increasing number of its citizens to the Internet.

The GCC, in comparison to any of its regional rivals, is in the front line if judged by the criteria of political moderation, economic evolution, and social progress. Despite its flaws and the gaps between its promise and fulfillment to date, it has already racked up frequent flyer miles that would rival,

if not surpass, any of its competitors with similarly lofty dreams and visions of the future.

In less than a generation, the GCC countries, as a group, have evolved from what was almost

universally acknowledged as being one of the most impoverished and underdeveloped corners of Arabia to being the economic strategic power player that it is today.

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An Altered Landscape

In less than a generation, the landscape of the GCC region has changed almost beyond recognition. For those who, as this writer, knew it first at the end of the 1960s, it has gone from scenes of children at work all day laboriously collecting and piling pebbles in neat stacks on the side of a desert track that passed for a road. All day long, in the blazing sun, little boys and girls alike would wait in hopes that construction company agents in search for gravel would pass by and pay them what amounted to pennies for what they had amassed.

Infant mortality rates are dramatically down and life expectancy is dramatically up throughout the region. Members of Saudi Arabia's cabinet, whose fathers and mothers

...one, today, could scarcely imagine that, until recently, this was one of the last places on earth to be touched and, in time, to be so utterly transformed, by the physical trappings of modernity.

took fourteen days to travel by camel from Qasim to Riyadh, nowadays make the trip in four hours in an air-conditioned car. Those who, growing up, never ventured beyond their village, nowadays think nothing of jetting to Geneva and back for the weekend.

People of current high-ranking status in more than one part of the region were literally born into slavery. In Oman, a country the size of California, every citizen over forty years of age can vividly recall a childhood when, in the entire country, there were but three doctors, three elementary schools, and less than ten miles of paved roads.

Many can recall that their fathers and uncles, to obtain drinking water for their families, had to carry it in old oil drums on poles stretched across their shoulders, astride the backs of donkeys, or dive down deep to capture it in goatskin bags from under water springs.

But except for the gnarled and calloused hands of the old men who used to wade out to hump sacks from boats that had no place to dock, and except for the women with equally worn hands from weaving mats from palm fronds and goat hair, one, today, could scarcely imagine that, until recently, this was one of the last places on earth to be touched and, in time, to be so utterly transformed, by the physical trappings of modernity.

A Different Present

As for the contemporary GCC region, in the place of what was before – notwithstanding the previously mentioned economic and social challenges – there is something that, in many ways, is altogether different.

It is a group of countries that takes pride in the fact that new businesses, investments, and the ability to penetrate export markets half a world away are bringing several GCC states closer and closer to the forefront of worldwide petrochemical production.

The GCC states now await the growing web of computer and telecommunications connections that will open more borders even while they continue to hang on to the hope that their identity and unique history, God help them, will not be effaced.

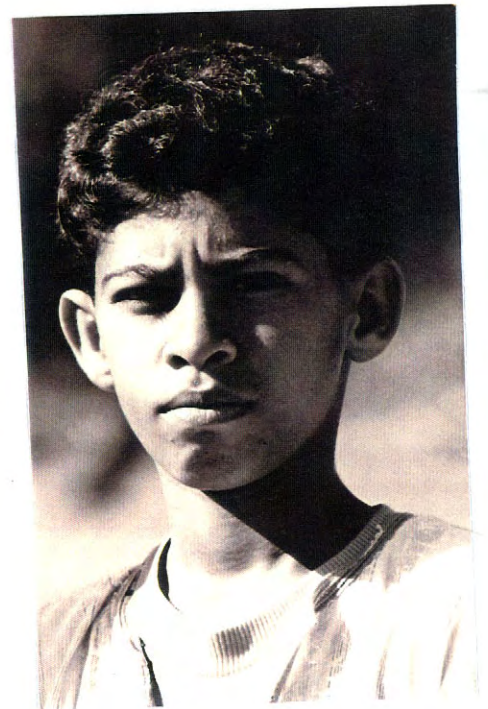
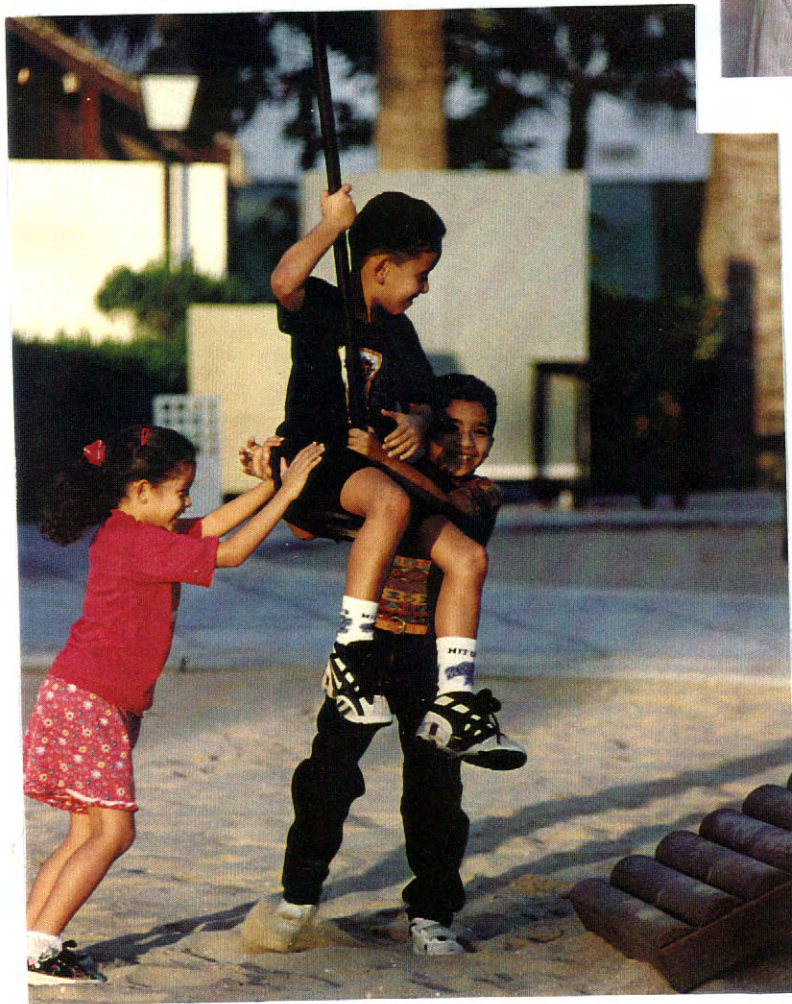
By Way of Contrast

In the run up to the millennium, to be followed shortly by the GCC's twentieth anniversary, it is beyond doubt that the GCC countries are richer, certainly materially and socially, if not also spiritually, than any other conceivable grouping of six other geographically contiguous Arab, Middle Eastern, Islamic, or other developing world countries.

Despite their costly excesses, the member countries' approaches to health care, education, and pension rights are the envy of much of the rest of the developing world. Even so, they have preserved the essence of the free enterprise system. Marriage, inheritance, and personal property rights, for all citizens, remain untouched.

While doubt and uncertainty crowd in around the debate over the merits and demerits of economic reform, the negative impact of such reforms to date has been slight-to-negligible. Within the attempts at privatization thus far, no GCC country has closed industries or factories, creating unemployment or runaway inflation. Moreover, despite government belt-tightening, health and welfare systems have not collapsed, and literacy as well as math, science, and computer skills, are up throughout the region.

TODAY'S CHILDREN: THE GCC COUNTRIES' LEADERS OF TOMORROW



On the identity front, in the midst of an unending transformation from what it was when the GCC experiment began, the region has lost its diversity in some respects and fortified it in others. Merchants leaving a business center in Dubai look no different from their counterparts leaving office in Dammam or Dhahran.

Children running about on a playground in one part of the GCC region are practically indistinguishable from their peers two or three GCC states away. In schools from Kuwait to Oman, and everywhere in between, the math, science, and English language textbooks are similar. But there remain a lot of differences, which is one reason for the considerable degree of intra-GCC travel.

With all its faults, the GCC has a chance to make its people's ideal of a peaceful and prosperous region come true. If it fails, there is increased likelihood of a yet more terrible war. It is for the GCC peoples of today and tomorrow, bearing in mind the severe constraints on their demographic resources, to prove themselves up to the task of maximizing their self-reliance.

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In the interim, it is likely that a trimmed-down version of the U.S.-led allied coalition will continue to dominate the Gulf military-wise. To be sure, not every GCC patriot's pride – not to mention the nationalist sentiments of Iranians and Iraqis – has suffered the U.S. role gladly. Still, the Pax Americana has inaugurated an era of unprecedented pan-GCC defense that has helped to foster the old dream of unity.

Thus far, America's efforts to erect an effective system of Gulf deterrence and defense have spanned close to two decades – a mere drop in the bucket compared to Great Britain's near Olympian record of protecting the region for nearly two centuries, but not a bad one in this stepping stone to the next century.

The region is as dynamic, complex, and strategically important – and is likely to remain so – as it has been since before the GCC's inception. The GCC, itself, seems destined to remain.

For all its limitations and disappointments, the GCC region, at the end of the century, is a lot less

dangerous place than it was in the 1980s and early 1990s. The region is as dynamic, complex, and strategically important – and is likely to remain so – as it has been since before the GCC's inception. The GCC, itself, seems destined to remain.

Yet, it is in the nature of a work in progress that no one can accurately predict exactly what the GCC will look like in the end. If it is any comfort to the outside analyst, it may help to know that no one else, whether within or outside the GCC region, with whom this writer has met, has offered to describe in detail the nature and composition of the GCC's end game either, if one is actually envisioned.

In response to my asking him to reflect on how far the GCC had come and its prospects for successfully navigating the distance yet ahead, one military planner in his fifties mused for a moment and said, "Our hope is in

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our children. All our meetings and planning – and whatever sacrifices we have made – it is all for them. When my wife and I look at our daughter and son – they are grown now – we say, to ourselves, they and more than half the entire GCC citizenry cannot recall when the GCC did not exist. We're getting there, but it will take a lot more time."

A B O U T T H E A U T H O R

Dr. John Duke Anthony is the founding President and Chief Executive Officer of the National Council on U.S.-Arab Relations and a founder, board member, and secretary of the U.S.-GCC Corporate Cooperation Committee. A member of the Council on Foreign Relations and of its study groups on U.S. policies toward the Gulf, he is also a founder and former President of the Society for Gulf Arab Studies; a founder and board member of the National Commission to Commemorate the 14th Centennial of Islam; a founder of the Commission for Israeli-Palestinian Peace; a co-founder of American Educational Trust; a former President of Middle East Educational Trust; a past board member of American Near East Refugee Aid; and a consultant, for the past 25 years, to the U.S. Departments of Defense and State on American policies toward the Arabian Peninsula and Gulf states.

From 1976 to 1988, he was Coordinator, Area Studies Training Program for U.S. Personnel, U.S.-Saudi Arabian Joint Commission on Economic Cooperation, U.S. Department of Treasury. In 1993, he received the Department of State's Distinguished Visiting Lecturer Award, one of three awarded, over a span of twenty years, in recognition of his contributions to the preparation of American diplomatic and defense personnel assigned to the Arabian Peninsula and Gulf states. In 1994, he received the Stevens Award for Outstanding Contributions to American-Arab Understanding.

Dr. Anthony has taught courses on the Middle East at the Johns Hopkins School of Advanced International Studies, the Universities of Pennsylvania, Texas, and Virginia, the U.S. Naval Postgraduate School, and the Defense Intelligence College. For the past quarter century, he has also been a regular lecturer at the U.S. Department of State's Foreign Service Institute and the Defense Institute of Security Assistance Management. He is the only Westerner to have been invited to attend each of the Gulf Cooperation Council's annual Heads of State Summits since the GCC's founding in 1981. Dr. Anthony's best-known work is his *Arab States of the Lower Gulf: People, Politics, Petroleum*. He is also the author of nearly 100 articles, essays, and chapters in books dealing with the Arab countries, the Middle East, and the Islamic world.



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For assistance in writing this report, I am grateful to several individuals and institutions. To the leaders of the GCC itself, I owe a debt of thanks for their inviting me to attend the Kuwait Summit and each of the other GCC heads of state summits since the organization's inception in 1981. It could not be easy for them to extend such a measure of trust and confidence to an outsider who has written so frequently about their region's challenges and opportunities over the years. It is even more remarkable that not once, in all this time, has a GCC representative, or, for that matter, a representative of any of its member states, either sought to direct me towards, or admonished me for, anything I have written, or even so much as hinted that this or that topic was off-limits. Nor has anyone in the region ever once asked to see a draft of what I have written before it was published.

In addressing many of the issues examined herein, I also benefited from being able to meet with those responsible for dealing with them on a year-round basis. These included participants in each of the GCC countries' delegations and members of the GCC Secretariat. Of particular value in this regard were special briefings with two of this year's hosts, Kuwaiti Deputy Prime Minister and Minister of Foreign Affairs Shaikh Sabah Al-Ahmad Al-Sabah, Chairman of the GCC's Ministerial Council for 1997-98, and Minister of Information Shaikh Saud Nasser Al-Sabah, as well as Kuwait's Ambassador to the United States, H.E. Dr. Mohammed Sabah Al-Salim Al-Sabah. The support of the Kuwait-America Foundation for the educational programs and activities of the National Council on U.S.-Arab Relations is also gratefully acknowledged.

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Dr. Peter K. Bechtold, Director of the U.S. Department of State's Near East and North Africa Area Studies Program, and Mr. Kenneth Martin, Middle East Program Director at the Defense Institute of Security Assistance Management, did the same in allowing me to share my observations on the Summit in additional de-briefings for U.S. diplomats, military personnel, and other government officials. However, none of these institutions or individuals who helped make it possible for me to write and complete the report are responsible for anything that appears herein. All of the photographs except the wide-angled picture of a GCC plenary session are ones I have taken at this and previous summits and of people and places within the GCC region. Any mistakes that remain are mine alone.