Security Issues in the Middle East

Quarterly Analysis

September 2001

The Institute for Foreign Policy Analysis
THIS REPORT WAS COMPLETED PRIOR to the September 11 terrorist attacks on the United States. The impact of the attacks and the likely U.S. responses on Middle East politics, and energy security, will be profound. Subsequent quarterlyies will focus on these issues and options for preparing broader and deeper analyses will be considered.
Palestinian Politics

Palestinian leader Yasser Arafat is increasingly unable to shape, much less control, the situation on the ground. Any Palestinian Authority (PA) attempt to move against Palestinian secular or religious extremists under current conditions would directly threaten the legitimacy, and survival, of Arafat. Riots are everywhere, even within the Arafat-dominated Fatah organization. Fatah hardline elements – represented by those who remained to resist the occupation instead of fleeing alongside Arafat to Jordan, Lebanon and then Tunisia – are increasingly frustrated with the so-called Tunisian-, or outsider-, dominated PA. Some postulate that the intifada began in part due to Arafat’s wish to distract attention from the failing PA. Others imply an increased willingness of the various groups to move against Arafat and his cohorts, as they are perceived as achieving little for the Palestinian cause.

The religious groups also have rifts. Hamas is not monolithic, and represents more a loosely coordinated cellular structure throughout Palestine and Israel. Islamic Jihad, although less potent since the death of its founding leader in 1995, is also relatively non-hierarchical. Various splinter movements coalesce for one or a series of operations, and then dissolve back into the larger religious-nationalist current. The Hezbollah model is having an impact upon groups such as Hamas and Jihad, as seen by the debate among Palestinian groups over whether to strike at mainly civilian or military targets. Elements from the religious movements have also reportedly been increasingly using Hezbollah bomb-making techniques and tactics, such as roadside directed mines. Military targeting is seen as being in the interest of the greater Palestinian cause, while hitting civilians is seen as serving both - causing an Israeli overreaction and undermining Arafat’s position in a future intra-Palestinian scramble for power.

As Arafat’s position deteriorates and support shifts away from mainstream Fatah towards extremists, his ability to exert influence over terrorist actors will be increasingly in doubt. Polling data from Bir Zeit University suggest that support for religious extremism – and general anti-Israeli action – has increased substantially. Meanwhile, joint demonstrations held by groups as diverse as Hamas, Islamic Jihad, Fatah, Fatah-Tanzim, and the PFLP indicate the growing willingness – at least temporarily – of secular and religious groups to create a unified front of anti-Israeli resistance.

The Landscape

Gaza remains a center of both Hamas and Fatah activity, while the traditionally more secular West Bank has seen religious movements gaining support. The Israelis have effectively turned Gaza into a large prison. Economic conditions are particularly harsh, with foreign investment all but gone and the professional classes either emigrating or looking to emigrate. Refah, along the Egyptian border, remains a flashpoint. Palestinian youths are routinely involved in incidents of stone throwing against settlers and Israeli military positions. Meanwhile, Palestinian gunmen use existing buildings and rubble from Israeli demolished houses as cover to fire at Israeli positions. Most Israeli victims are actual targets of opportunity at checkpoints or along highways; fire against Israeli posts – largely unaimed or indirect – or settlements causes more fear than casualties.

The West Bank situation is quite different. Unlike Gaza, Palestinian ability to infiltrate and exfiltrate across the 1967 borders into Israel proper is relatively easy. IDF troops manning positions near Ramallah and Nablus have said that military checkpoints serve little counterinsurgency value. Instead, they are designed to put additional pressure on Palestinian leaders while disrupting the flow of local social, political, and economic life. Ramallah serves as a pseudo-Palestinian capital given its proximity to Jerusalem, and is a Fatah/secularist stronghold. The city is a torn community, with local kin-based relationships disrupted by refugee flows and the influx of PA functionaries. Seen as a symbol of the PA, Ramallah has increasingly been targeted by Israel over the last three months. In addition to the use of air and tank strikes, attempted Israeli intrusions into PA territory often results in firefights with Palestinian police; Ramallah is in Area A, under full PA civil and military control. Funerals for those killed serve as rallying points – and often starting points – for Fatah-Tanzim and Hamas gunmen to initiate firefights with Israeli settlements ringing the city.

Cities such as Tulkarem, Jenin, Nablus and Hebron maintain both a secular and non-secular
presence, yet are rapidly becoming associated more with the religious factions as the PA loses legitimacy. Unlike Ramallah, these cities are relatively tight-knit communities, perceiving themselves as unbowed despite Israeli – and PA – repression. This defiance is evidenced by the Israeli military’s focus on containing – and targeting activists within – these cities. Bethlehem and its suburbs are other flashpoints. Beit Jala, a mainly Christian community opposite the Israeli settlement of Gilo, was partially reoccupied in mid-August by Israeli armored and infantry units; as of August 30 Israeli forces are reportedly pulling out due to PA willingness to curb anti-Gilo violence. As the village offers the primary Palestinian staging area for attacks – again largely indirect mortar and small-arms fire – it is unlikely that the PA agreement will prevent future incidents. Israeli retaliation from Gilo using both small arms and anti-armor weapons has resulted in the indiscriminate killing of Palestinian civilians, while Palestinian fire seldom results in Israeli casualties. Beit Jela was the scene of the July 18 assassination of four Hamas activists.

Jerusalem has also experienced increased violence. Despite Israeli security measures, the August 9 Sbarro pizzeria bombing occurred while the takeover of the Orient House – seen as central to Palestinian claims in the Holy City the next day further inflamed Jerusalemite Arabs. July 29 attempts to enter the Al-Haram a-Sharif by extremist Jewry resulted in a strong local reaction; Palestinian men and women of all ages joined to resist Israeli encroachment into the Al-Aqsa mosque compound. Yet, such violence has given the Israelis a pretext to impose even harsher security measures on the Old City while preventing worshippers under the age of forty-five from entering the Al-Aqsa mosque.
Gloom, But Not Doom (Yet)

The dreary cycle of tit-for-tat fighting – Palestinian suicide bombings that catalyze Israeli reprisals or, for an occasional change of pace, Israeli preemptive attacks followed by Palestinian retaliation – has shown little sign of giving way to new peace talks. Far from it. Palestinian Authority (PA) chairman Yasser Arafat, his hold on power increasingly tenuous, has been unable, and indeed unwilling, to restrain the swelling influence of militant groups such as Hamas and Islamic Jihad. Never ones to shrink from violence to attain its objectives, the radical fringe has pressed ahead with the terror campaign.

On the Israeli side, Prime Minister Ariel Sharon, while he has paid lip service to a revived peace process, has also refused to bend from his campaign pledge not to negotiate amid Palestinian terrorism. Neither has Sharon exhibited any real appetite for compromise in the Western media – has been kept on a tight leash throughout the intifada. The Palestinians are unable to win the undeclared war for lack of means, and Tel Aviv is unwilling to try using its impressive means to score a knockout victory. The result: continued stalemate in the Holy Land and mounting disgust in the international community.

With good reason, both sides, and many outside observers, have begun to despair of an early end to the fighting. Their solution? To look outside the Levant for help. A staple of Arafat’s strategy is to coax the U.N. Security Council into dispatching a force of international observers in hopes of discouraging an Israeli escalation. His efforts have come to naught because of the threat of a U.S. veto – a veto that is certain to be deployed against any Security Council resolution that seems to blame Israel for the intifada. Washington scuttled the latest draft resolution in late August.

With the Bush administration dithering over the direction of its Middle East policy, Arafat has sought to rally unlikely protagonists to the Palestinian cause. Europe, with its growing and increasingly influential Muslim minorities, is a prime target of Palestinian appeals. In late August, for example, the PA chairman proposed to convene truce talks in the German capital of Berlin, with German foreign minister Joschka Fischer hosting and moderating the talks. While it momentarily appeared that Arafat’s bid for European involvement would come to fruition, new attacks by Islamic militants in Jerusalem stiffened Israeli resistance and throttled the initiative in its infancy. Arafat now has to return to the drawing board if he hopes to use world opinion as a lever against the stubborn Israeli prime minister. At this printing the Palestinian chairman was attempting to broker a condemnation of the Jewish state - and thus to shore up support in the Third World - at a U.N.-sponsored conference on racism.

And what of the American role in mediating the intifada? To date the Bush administration, which came to office hoping to more or less divest itself of the peace process, has exhibited a mushy moral equivalence. Indeed, at times the Bush State Department – headed by Secretary of State Colin Powell, a former military man who should know better – has verged on demanding that Israel refrain from responding to attacks on its citizens by Palestinian militants. For instance, after the suicide bombing of a Sbarro’s pizza parlor, which claimed fifteen Israeli lives and wounded scores of others, the State Department roundly condemned the actions of both sides and called on Israel and the PA to end the “cycle of violence” – as if the intifada were some impersonal force of nature and not the product of human will.

Such an ambivalent position is not only at odds with reality but increasingly untenable for a president who rode into the White House in part on his reputation for moral clarity. Bush’s seemingly perpetual quest to set a “new tone” in politics, however, reflects the habitual American notion – aptly summarized by one commentator as the “let’s-all-get-together-and-be-be-nice school of American diplomacy” – that virtually any dispute can be worked out with the appropriate measure of goodwill and give-and-take. Eleven months of fighting have exposed the folly of this conviction, at least as it applies to current circumstances.

True to his Republican roots, Bush has drifted closer and closer to siding with Israel. And he has evidently reined in the more dovish State Department. The president has perhaps begun to realize that his bipartisan model of politics doesn’t fit the
full-contact politics of the Middle East. After a strong IDF incursion into Hebron in late August, the president declared in his roundabout way that Yasser Arafat could do more to restrain attacks on Jews, and thereby prevent the need for armed Israeli intervention. Five hundred Jews live in Hebron, surrounded by 130,000 Palestinians. Emboldened by the lopsided demographics, and with avenging Israeli forces normally far from the scene, hotheaded Palestinians are likely to take out their frustrations on their outnumbered neighbors. In any case, President Bush’s mild rebuke to Arafat was a far cry from simply denouncing a cycle of violence for which all belligerents were equally responsible.

Yet Bush will have to do more. Although “the United States cannot turn a stone into bread,” as National Security Adviser Condoleezza Rice sensibly noted, the experience of the Clinton administration shows that it is the effort to transform stones into bread – not necessarily a successful outcome – that counts with key Middle East governments. The Clinton team managed to sustain America’s diplomatic capital in the Middle East not by its actual achievements, but by its strenuous exertions in the service of peace. Especially now, when public resentments are prodding the fragile governments in Egypt and Jordan to contemplate forceful action on behalf of the Palestinians, Washington needs to show that it is an honest – and engaged – broker and not simply a blind Israeli partisan.

Wherever the president’s own sympathies may lie, this means applying additional pressure to both sides. That the United States needs to prod Arafat to suppress suicide attacks is obvious. What to do about Israel is less clear. One option outlined in the June quarterly report would be for Washington to browbeat Ariel Sharon into freezing Jewish settlement activity in the West Bank. This would defuse the Palestinian practice of using the settlement policy to justify the continued resort to violence. While the PA has also insisted that Tel Aviv grant the right of return for all Palestinian refugees, the two sides should be able to reach some accommodation on that front. No one really expects Israel either to erect an apartheid state or to commit demographic suicide by admitting a tide of Arabs who would then vote the Jewish state out of existence – the two unpalatable alternatives that would confront Tel Aviv should it meet the PA’s demands on the right of return.

Should the suicide-bombing campaign continue in the wake of such a gesture, President Bush at least would have clarified who bears the guilt for the collapse of the peace process. Unrelenting attacks would also diminish popular support for extremists such as Saddam Hussein who have parleyed Israel’s intransigence into political clout. Few could then fault Ariel Sharon for ratcheting up the military pressure and trying to impose a settlement. In any case, the increasingly dire circumstances prevalent in the region warrant – indeed, demand – a more forceful American approach. To do otherwise will further stoke the ire of Gulf Arab rulers and endanger U.S. policy with respect to Saddam Hussein’s Iraq.

**Strategies of Indecision**

Neither side stands much chance of winning the war using its present strategy. First, the Palestinians. Yasser Arafat is waging a strange war. Whether from deviousness or political weakness – or some combination of the two – Arafat has periodically taken up the mantle of the peace-loving statesman while simultaneously allowing, indeed seemingly encouraging, the violence against Israeli citizens to rage on. PA spokesmen and official press organs have repeatedly vowed to wipe out the Jewish state. That the Palestinian leader is guilty at least of duplicity, then, is beyond serious question. What is he up to? Arafat realizes that he can never defeat Israel in a head-on battle, wistful talk of “Lebanizing” the intifada notwithstanding. (The allusion is to the IDF’s ignoble retreat from the “security zone” in Lebanon – billed as a great Arab victory over Zionism.)

But the Israeli people will never be as apathetic about the West Bank, where events could pose a mortal threat to their country, as they were about the morally ambiguous occupation of Lebanese territory. So Arafat needs the support of powerful outsiders. There is little point in currying favor with a United States that stands far more aloof than during the Clinton years. To tug at the heartstrings of the wider international community, Arafat is evidently willing to allow conditions to deteriorate even further.

Ideal for this purpose, attacks on Israelis spur harsh IDF reprisals that in turn generate sympathy for the plight of ordinary Palestinians. After enough casualties, he reasons, pro-Palestinian – or, at any rate, anti-Israeli – sentiment will grow so powerful that the United Nations will authorize a force of peacekeepers to step in and halt the fighting, presumably along the pre-1967 boundary between Israel and Jordan. This is a desperate gamble.

But the Palestinian leader is of necessity in a gambling mood. It bears repeating that Arafat’s standing with his own citizenry is precarious in the extreme. His approval ratings now hover around 20 percent, giving little reason for confidence. Thus he may have concluded that a speedy resolution of the intifada in the PA’s favor is imperative. The militant groups, then, serve an important purpose. And Arafat undoubtedly fears that a crackdown on Islamic Jihad or Hamas – an entity that provides many social services and thus is more popular than
the PA with many Palestinians – would bring about his political downfall. It is difficult to determine the exact proportions of impotence, expediency, and guile in Arafat’s policy, but a mix of these elements surely propels his political calculations.

Will he succeed? Probably not. First, if history is any guide, the United States will brandish its veto to prevent the U.N. Security Council from approving even a deployment of peacekeepers to the Levant; proposals for a peace-enforcement operation lie in the realm of fantasy. Second, while the European Union might be willing to intervene on its own, its common security and defense policy is too immature to support such an ambitious “out-of-area” undertaking. Third, while some voices in the West have called on NATO to establish a Kosovo-like protectorate in the West Bank and Gaza, such an operation would rely on the approval – not to mention the military capabilities – of the United States. The Bush administration is ambivalent at best, even about America’s traditional mediating role in the conflict. Still less will it assent to bold new ventures involving the use of military force. Plainly, then, Yasser Arafat will be disappointed if he has pinned his hopes on massive Western intervention.

What about the Muslim world? Here the picture is brighter, if that is the appropriate way to describe the prospect of a pan-Arab coalition arrayed against Israel. For his own reasons, Saddam Hussein has already pledged to support the Palestinians and has sought to smuggle arms and commandos into the West Bank. And he has staked his claim to leadership of a jihad against the Jewish state. (Refer to the Iraq chapter of this report for details.) Syria and Jordan, moreover, may have abetted Iraq’s illicit activities on behalf of the PA. Worse still, elements of the Jordanian army sympathetic to Saddam Hussein are reportedly prepared to overthrow the young king, Abdullah – and allow their country to become a jumping-off point for operations against Israel. While the latter is a farfetched scenario, a Jordanian coup would effectively give Iraq and Israel a common border - and radically alter the security equation in the Middle East for the worse.

Clearly, then, political pressure is building in Arab countries adjoining Israel to act in the defense of fellow Arabs. Egypt, plagued with Islamic extremists of its own, has pled with the Bush administration to resume its mediation of the conflict, and thus to mute the discontent that is increasingly common in the “Arab street.” It has even been rumored that Egyptian president Hosni Mubarak is debating whether to order the nation’s Third Army into the Sinai Peninsula, demilitarized in the wake of the Camp David Accord, as a demonstration of solidarity with the PA. The fact that Jordan and Syria, which concluded formal peace treaties, are even contemplating warlike actions against Israel speaks volumes about the perilous state of regional politics. Arafat may yet gain powerful friends abroad.

Next, the Israelis. Lest outsiders be tempted to cast too many aspersions on Arafat’s soulless policy, it should be noted that the status quo also suits Ariel Sharon’s purposes. If the prime minister determines that the PA is complying with his demands for an interval of quiet before new talks, then he will come under intense international pressure to implement the recommendations of the Mitchell report (profiled in the June 2001 quarterly report). A freeze on settlement construction was one of the key findings of the Mitchell Commission – and would be one of the most painful measures for Sharon, beholden to the right-wing parties for the survival of his coalition, to implement. While the prime minister undoubtedly wishes for an end to the intifada, he also does not relish the thought of telling the settlers and their backers that they have to give up what they consider their God-given rights. Barring a truly traumatic event, Sharon will continue to display his unaccustomed restraint.

That means that “targeted assassinations,” or “pinpoint preventive actions against terrorists,” to use the official Israeli phraseology, will remain the centerpiece of IDF strategy. Some forty Palestinians have fallen to Israeli missile attacks, bomb blasts, and other tactics over the past few months. But the Palestinians’ reference to “assassination” is a misnomer - as is, for that matter, Tel Aviv’s characterization of militant activities as “terrorism.” The Israeli armed forces have targeted not Palestinian civil servants but individuals they believe to be responsible for terror attacks – or, giving the nod to preemption, to be plotting suicide attacks. They are combatants engaged in an undeclared war and are arguably fair game for IDF action. These militant Palestinians lose many of their legal protections under the Geneva Conventions by carrying out warlike acts without wearing uniforms or insignia identifying them as combatants. Moreover, by assailing Israeli non-combatants, they are guilty of grave breaches of international law.

But this deceptive use of language is about perceptions, not law. Legal niceties matter little in the war of political symbols. It serves Arab purposes to portray the IDF’s strategy as an assault on innocent Palestinian civilians. Once that premise has been established, Israel’s actions are morally indistinguishable from attacks on Israeli non-combatants – allowing Yasser Arafat to obscure what is really happening. Unwilling to reveal its intelligence sources and methods, Tel Aviv has little way to defend its actions. Nonetheless, it is a useful exercise to
assess the intifada as a legal state of war and thereby restore some meaning to the terminology deployed by the antagonists. War, a violent extension of non-violent political combat, often turns on who wins the war of words. That is doubly true in the strange conditions characteristic of the Arab-Israeli conflict.

The impasse, in any case, seems certain to drag on. What will happen? As always in the byzantine milieu of Middle East politics, there are numerous possibilities, all of which shade into one another. First, the status quo could persist. The PA will certainly be unable to defeat Israel militarily, while temperate action by Prime Minister Sharon could keep Israeli public opinion at a slow boil. The situation would nonetheless become increasingly unstable should Arab opinion continue to swing in favor of aggressive action, and should the United States and the U.N. remain on the sidelines. The status quo seems tenable for the short term, but the intifada will not simply vanish because a Palestinian military victory is improbable. Quite the opposite. At some point, then, more forceful action is likely.

Second, Prime Minister Sharon could tire of the bloodletting or, more likely, be compelled by circumstances to escalate the use of force. A brief, high-intensity campaign could decapitate the Palestinian Authority, damage the militant groups, and leave Tel Aviv in a commanding position to dictate peace terms. In a variant of this scenario, some commentators in the West have urged Israel to construct a wall along the border with the West Bank in order to stem the terrorist bombing campaign. This latter-day “Maginot Line,” to borrow the derisive – and historically dubious – term used by its detractors, would block the movement of suicide bombers into Israel, just as the wall between Israel and Gaza supposedly inhibits terrorism.

But physically separating the two peoples would cut both ways. Sharon’s advisers will probably conclude that erecting a wall would also bar Israeli efforts to thwart a Palestinian arms buildup, strike against militant groups, and otherwise influence events in the West Bank. And building its own version of the Berlin Wall - another unsavory, and more apt, historical analogy - would hardly burnish Israel’s international image. Not an appealing prospect - especially since the Jewish state would be cast in the role of totalitarian East Germany, and Sharon as dictator Walter Ulbricht.

Third, back-channel efforts to build ties between ordinary Palestinians and Israelis could produce a breakthrough. The theory behind this “Track II” diplomacy – an unproven theory, to be sure – is that cultural exchanges put a human face on the enemy and mute constituency pressures for vengeance. Indeed, the now-defunct Oslo process had its origins in unofficial diplomacy. By July 2001 aspiring peacemakers, mostly clergy and nongovernmental organizations, had shepherded through a largely symbolic “cultural peace treaty” between Israel and the Palestinians. Scheduled for a signing ceremony in Washington, this gesture of goodwill was, alas, throttled by new suicide attacks and the inevitable Israeli ripostes. This well-intentioned but highly unorthodox brand of diplomacy could ultimately translate into relaxed tensions and concrete political results. But don’t bet on it.

Conclusions

So the outlook for peace in the Middle East is as muddy as ever. The Palestinians are unable to win the undeclared war, and the Israelis are reluctant to take the necessary measures to effect a military solution of their own. For its part, the lethargic Bush administration is belatedly – and hesitantly – gravitating towards a more active role in the intifada. Washington is coming to realize that its diffidence will not spare it the political fallout of a prolonged clash. Indeed, with Saddam Hussein up to his usual skulduggery and the Arab street thirsting to take revenge on Israel, there is at least a small possibility of a wider regional war. That would be a disastrous turn of events for the Bush administration’s policy in the Gulf, where the support of Arab regimes is crucial. The safest bet is that the United States will redouble its efforts to restore calm in the Levant in an attempt to halt the drift of Egyptians, Jordanians, and Syrians towards violent intervention in the intifada. But the American fumbling of the past few months gives little reason for confidence.
Saddam Rattles His Cage, with Uneven Results

It was a frustrating three months, both for Iraqi president Saddam Hussein and for his tormentors in the West. In early July, the joint American-British bid to replace the broad-based U.N. sanctions regime with a tailored - “smart” - prohibition on arms and dual-use items foundered when debate in the Security Council bogged down over the list of banned dual-use items. (Refer to the June quarterly report for details on the U.S.-U.K. draft resolution.) At one point it appeared that all of the permanent five members of the Security Council had accepted the principle of smart sanctions. Even France had warmed to the idea, at the risk of provoking the ire of Iraq, a major trade partner. After prolonged wrangling over the composition of the dual-use list, however, Russia scuttled the negotiations by demanding a more lenient arrangement than was acceptable to the United States and Great Britain.

A variety of other objections also contributed to the proposal’s demise. Opponents of the resolution pointed out that its ambiguous wording would empower the U.N. to maintain stringent controls on Iraqi trade and finance - throttling urgently needed development efforts. Consequently, India and Malaysia, rotating members of the Security Council, bluntly called for an end to the sanctions. Moscow tabled a competing resolution that would have resurrected the original 1991 ceasefire arrangement, under which the sanctions would be lifted once a weapons monitoring and verification system was in place. In effect this would have killed the sanctions altogether, since Iraq has refused to readmit international weapons inspectors. Perennially desperate for cash, Moscow apparently bartered its veto in exchange for a rumored $21 billion in new Iraqi contracts for Russian firms. It also hopes to recoup some $8 billion in Iraqi debt, mostly left over from arms purchases during the Soviet era. Faced with a Russian rebuke, the Bush administration decided to drop its proposal.

Thus the existing set of sanctions will remain in place, and the stalemate between Iraq and the West will continue as well. The outcome was, by and large, satisfactory for Saddam Hussein. By engineering a Russian veto, Baghdad parried Washington’s attempt to shift the blame for Iraq’s humanitarian catastrophe to Hussein himself. While the oil-for-food program is onerous, moreover, it at least has the virtues of being familiar - and leaky. Closing the loopholes that allowed Saddam Hussein to reap some $3 billion in kickbacks and smuggling revenue last year - cash that flowed directly into Hussein’s coffers and could fund illicit weapons programs - was the main impetus behind the U.S.-U.K. sanctions plan. The smuggling revenue also came in handy in Iraq’s campaign to beat the sanctions. It is surely no coincidence that Iraq’s neighbors - Jordan, Syria, and Turkey - have become more and more pliant as Iraq lured them with the prospect of trade and cheap oil.

In a parallel effort, Hussein has stepped up his claims to leadership of the Arab world. It would be difficult to find a more improbable claimant to the mantle of Saladin, the great Kurdish general who defeated the European Crusaders, than Saddam Hussein. Still, the Iraqi dictator has sought - albeit with decidedly mixed success - to curry favor with ordinary citizens and generate political pressure on the Gulf regimes. But why would Saddam Hussein want to meddle in the intifada? Not out of altruism or fraternal solidarity - else he would have declared a jihad months ago. Rather, Baghdad hopes to link events in the Levant with those in the Persian Gulf. By asserting leadership in the battle against Israel, and hopefully uniting the Arab world behind Iraq, Hussein hopes to throw off the onerous U.N. sanctions once and for all. The Bush administration, contrariwise, is strenuously seeking to maintain a firewall between affairs in the Holy Land and the Gulf.

Hussein has pursued a dual strategy on the intifada. First, he has exhorted Arabs to launch additional suicide attacks on Israel. In August, while commemorating the thirty-third anniversary of the coup that brought the ruling Baath Party to power, Hussein called on Arabs throughout the Middle East to right the “intolerable injustice” inflicted by Israel on the beleaguered Palestinians. How? One editorial by a Baghdad news outlet dubbed the Iraqi tyrant’s strategy “martyrdom operations” designed to counter the malign influence of America’s “Black House.” While pro-Iraqi sentiments are increasingly widespread, however, especially in the West Bank and Gaza, there is little indication that Hussein’s strategy of uniting the Arab world behind him - and, in the process, escaping the U.N. sanctions that have fet-

tered his ambitions for a decade - will meet with concrete success.

But the Iraqi tyrant didn’t stop at sowing subversion among youthful Arabs. Indeed, Hussein has repeatedly threatened direct armed intervention on behalf of the Palestinian Authority. Such a strategy would, for geographic reasons, require Iraqi forces to establish footholds in Jordan or Syria. Reports of Iraqi commandos operating in Syria have emanated from the region in recent weeks, lending credence to what might otherwise - considering the source - be discounted. Complicating matters, rumors aplenty indicated that Iraqi forces were massing in the north for an offensive against the Iraqi Kurds. While the attack on the Kurds never transpired, Iraqi units on the northern frontier would have been ideally positioned to cross into Syria or Jordan.

Consequently, the United States has taken Saddam Hussein’s blowerations seriously. Hussein’s militant rhetoric often verges on the comical and might normally be dismissed as mere bluster. However, American intelligence agencies have expressed concerns about apparent Iraqi activity in the West Bank and Gaza - potentially substantiating Hussein’s public speeches. In fact, Baghdad is reportedly attempting to smuggle commandos and small arms into PA-administered areas. Additional manpower and munitions, needless to say, could further inflame an already bad situation in the West Bank and Israel.

Accordingly, U.S. forces have stepped up their aerial surveillance to monitor the movements of Iraqi forces. Baghdad returned the favor by unleashing improved surface-to-air missiles (SAMs) against the relatively slow-moving reconnaissance aircraft, which make easier targets than the highly maneuverable fighters that usually patrol Iraqi skies. (The ability to make sudden, radical turns is the key to surviving guided-missile attacks.) And, in another departure from long-standing practice, Iraqi SAM batteries engaged coalition aircraft operating outside Iraqi airspace. In late July, they fired on a U.S. Navy E-2C airborne-early-warning plane orbiting over Kuwait, a U-2 reconnaissance plane monitoring the southern no-fly zone, and an AWACS aircraft aloft over northern Saudi Arabia. The U-2 incident was particularly worrisome for the United States, since it indicated that the Iraqi military had managed to boost its missiles’ threat envelope - the range and altitude at which surface-to-air missiles can engage enemy aircraft. The U-2 generally cruises at 70,000 feet, an altitude until now thought to be immune to Iraqi air defenses.

A subsequent violation of Syrian airspace by a U.S. Air Force F-16 fighter - evidently on a reconnaissance mission, though the Pentagon claimed theinfraction was accidental - betokened the anxieties of the Bush administration about potential Iraqi intrigues. After leaving Incirlik, the main coalition airfield in Turkey, the fighter traversed some 200 miles of Syrian airspace before entering Iraqi airspace, where it was supposedly scheduled to patrol the northern no-fly zone. But coalition aircraft usually operate in packs, not alone, in the no-fly zones - one reason for doubting the Pentagon’s explanation. In all likelihood the F-16 flight was a covert attempt to determine whether Iraqi special forces had established a presence in Syria consonant with recent reports, Iraq’s stated desire to make trouble for Israel, and the recent warming of ties between Damascus and Baghdad. At this juncture it remains unclear whether Iraq has directly intervened in the intifada.

Aside from discouraging American inquisitiveness about his pro-Palestinian activities, Saddam Hussein continues to hope to down a Western aircraft. This of course is a perennial theme in Iraqi strategy. Should Iraqi gunners score a lucky hit, Baghdad will exploit the captured pilot for propaganda purposes - and, hopefully, pressure the West to end the sanctions. He underestimates his enemies. The coalition did not buckle to similar pressure during the Gulf War, when Hussein paraded his Western hostages on television and used them as human shields. If anything, his hamhandedness encouraged the coalition to redouble its efforts to oust the Iraqi army from Kuwait. Though often wily, then, the Iraqi dictator has something of a political tin ear. And the Bush administration would become an instant laughstock at home if it gave in to blackmail after trumpeting its toughness on Iraq. If anything, the administration would use a hostage situation to justify launching the controversial “regime change” policy to which it has - until now, at least - paid mere lip service.

**Bilateral Ties That Bind**

Baghdad pressed ahead with its effort to cultivate ties with its neighbors, whose goodwill is crucial to its bid to break the U.N. sanctions. Most ominously, for reasons elaborated above, Iraqi vice president Taha Yasin Ramadan and Syrian prime minister Mustafa Miru recently signed a series of agreements further expanding bilateral relations between the two countries, which were estranged for years after Damascus sided with the Desert Storm coalition. By improving ties in pharmaceutics, industry, and telecommunications, the two governments hope to double their bilateral trade to $1 billion annually. Additionally, continuing Iraq’s bid for leadership of an pan-Arab coalition, Ramadan pledged to support the Syrians “in all fields, including military,” should war break out between Syria and Israel. Speaking
for Damascus, Miru vowed to oppose “all hostile pressures and moves against Iraq and attempts to interfere in its internal affairs.”

Signaling a relaxation of tensions between Iraq and another nemesis, Turkey, a Turkish freight train traveled to Iraq for the first time in twenty years. Iraq, Syria, and Turkey reached an agreement in July under which the Turks and Eastern European countries will ship an assortment of goods to Iraq and resume offering scheduled passenger service to Baghdad. Further afield, Saddam Hussein received Tariq Ikram, a high-ranking Pakistani official and personal envoy from Pakistani president Pervez Musharraf. The two countries pledged to enhance cooperation on uncontroversial matters such as science and technology. Baghdad has reportedly sounded out Karachi about assistance in oil exploration and upgrades to Iraq’s dilapidated oil infrastructure. Meanwhile, state-owned Royal Jordanian Airlines announced that it would increase the number of flights to Baghdad, arguing that improved economic ties demanded the increase in scheduled air traffic.

Finally, France, one of the permanent five members of the U.N. Security Council, undertook a variety of initiatives designed to restore normal economic ties with Iraq. CMA CGM, the leading French shipping company, opened a direct maritime route to the Iraqi port of Umm Qasr. While the company’s representative in Baghdad claimed that this was an effort to break the naval embargo, the reality is something less. A memorandum of understanding among Iraq’s trading partners, including France, requires them to comply with the U.N. sanctions. While Iraqi officials made noises about canceling French contracts in response to the stance of Paris on the smart sanctions, the reality is that France heads the list of countries that have resumed commercial links with Iraq.

Taken individually, these developments would not be so worrisome. But together they represent an energetic - and increasingly successful - effort by Saddam Hussein’s Iraq to escape the international sanctions that have kept it in the box for over a decade.

A Change in Regimes? Not

Pursuant to its policy of regime change, the Bush administration has continued the Clinton administration’s toothless effort to sow unrest in Iraq. In mid-June, representatives of the Iraq National Congress, the expatriate resistance group based in New York, met with a series of American officials, including President Bush, Deputy Secretary of Defense Paul Wolfowitz - a vocal proponent of overthrowing Saddam Hussein - and several members of Congress. The INC leaders emphasized “the importance of operating inside Iraq as the main arena for the opposition’s activity.” The Pentagon reportedly reassured the delegation that it would not allow Baghdad to use the airspace comprising the no-fly zones to carry out attacks on the Kurds or Iraq’s neighbors.

In the wake of their Washington trip, INC spokesmen professed confidence that the Bush administration would soon erect a mechanism for continuous support of opposition activities. Fat chance. There is little indication that the internecine feuding within the administration on Iraq strategy has produced in a consensus on how to displace Saddam Hussein’s regime. And there is little evidence of a groundswell of political support on Capitol Hill for boosting financial support to the INC, which after all is the umbrella for a disjointed assortment of groups with no meaningful combat capability. If the administration hopes to overthrow Hussein, it will have to turn elsewhere for allies.

Meanwhile, signs of sporadic unrest unconnected to the INC continued to filter out of Iraq. In early August, for example, the Iranian-backed Supreme Council for the Islamic Revolution in Iraq (SCIRI) reported that Islamic resistance fighters had attacked a military intelligence site north of Baghdad, killing two guards and wounding two other individuals. Qusay Hussein, chief of the Special Security Service, deputy chief of the Baath Party’s Military Bureau, and President Hussein’s son, launched an investigation into the missile attack. In short order Qusay had a fellow investigator, Staff Major General Said Ibrahim, arrested on grounds that the general was in contact with Iraqi resistance groups.

Despite the indications of anxiety within Saddam Hussein’s government, U.S. officials should not take too much comfort from the actions of the mujaheddin; a SCIRI spokesmen told the press that the attacks were not only a warning to Baghdad, but “was also intended to carry a message to the forces of the world arrogance” - read Americans - “that the Iraqi mujaheddin are ready at all times to resort to any action to get rid of the foreign domination in Iraq and they are endeavoring to protect Iraq’s territorial integrity and to establish an Islamic government there.” The emergence of another Iran is not what the Bush administration has in mind for the Persian Gulf.

Reports in the Persian Gulf media asserted that two field-grade Iraqi officers had been executed for maintaining contacts with the opposition, and that two lawyers had been sentenced to death for distributing leaflets designed to “polarize” public opinion against Saddam Hussein’s regime. Meanwhile, security forces from the Kurdistan regional government, based in northern Iraq, intercepted an automobile
packed with explosives. According to Al-Zaman, a London-based Arabic-language daily, the confiscated vehicle was bound for the U.N. headquarters in Irbil, evidently for a suicide attack at Baghdad’s behest.

These developments represent little more than annoyances to Saddam Hussein. One can always hold out hope of a coup perpetrated from within the Iraqi military. But there is vanishingly little evidence that SCIRI or the INC will bring down the existing regime. Hussein maintains his hammer lock on the country.

Oil: Iraq’s Lifeline

Oil exports are both the mainstay of the Iraqi economy and a bargaining chip Baghdad can use to undercut the sanctions. The Iraqi oil minister, Amir Muhammad Rashid, recently proclaimed that domestic firms had managed to produce some $250 million worth of hardware to repair and upgrade the nation’s oil and gas facilities. Iraqi companies now manufacture piping and electrical transformers, among other items. While Iraq’s oil industry has little hope of becoming truly self-sufficient, improved manufacturing capabilities allow Baghdad to evade the Western veto over certain dual-use items and thereby blunt the impact of the oil-for-food program.

The oil minister also declared that Iraq’s proven oil reserves now total 112 billion barrels, while Baghdad has plausibly estimated the nation’s total reserves at an astonishing 214 billion barrels. In view of these totals, the oil minister predicted that Iraq would be able to boost production to 6 million barrels per day once it rehabilitated and developed additional oil fields. Illicit fees and kickbacks stemming from oil smuggling will increase commensurately, enriching the Iraqi dictator - and allowing him to finance his weapons programs, not to mention his breakout from the international sanctions.

Finally, Rashid announced that his government had finalized plans for the much-debated natural-gas pipeline into Turkey. The Iraqis will initially supply Turkish customers with 11 million cubic meters of gas annually, with the option of increasing that quantity. The 1,300-kilometer-long pipeline will eventually terminate at Turkey’s Mediterranean ports, enhancing the prospects of additional export revenue for Baghdad.

Down, But Not Out: Iraqi WMD Programs

While its dilapidated conventional military, mauled during Desert Storm, remains a shadow of its former self, Iraq has reportedly made tremendous strides towards rejuvenating its unconventional programs.

The nation has had well over two years to conduct research since December 1998, when Saddam Hussein evicted inspectors from the U.N. Special Commission (UNSCOM) and triggered the Desert Fox bombing campaign. Baghdad has intensified its efforts to acquire the technology and materials needed to manufacture chemical, biological, and, potentially, nuclear weaponry. The new weapons under development would be in addition to an estimated 6,000 chemical munitions already in the Iraqi inventory. German intelligence recently confirmed that Baghdad has stepped up its attempts to purchase chemical-warfare precursors, while the U.S. Central Intelligence Agency reported that Iraq was repairing dual-use equipment that could be used to build unconventional arms.

And they have the ability to deliver these warheads. Deputy Prime Minister Tariq Aziz boasted last January that Iraq, which maintains a force of short-range ballistic missiles with ranges up to 150 kilometers, would be able to multiply the range of its missiles several times over. A high-level Iraqi defector has stated that Iraq maintains an inventory of some forty SCUD-type ballistic missiles that boast longer ranges. The country has reportedly obtained the hardware needed to manufacture elements of solid rocket fuel from a front company in India. A plant has been built at Al-Mamoun to produce ammonium perchlorate, one of the key compounds needed for solid propellant. The German intelligence service estimated that Iraq would field a solid-fueled missile, boasting a range of 3,000 kilometers, as early as 2005. The German report added that an Iraqi nuclear weapon could be in service in three to five years.

As indicated in previous quarterly reports, weapons of mass destruction are a relatively inexpensive and highly lethal tool for rebuilding Iraq’s claims to regional power status. While international sanctions have decimated the nation’s economy and inhibited its access to the building blocks for unconventional weaponry, the reports now emanating from Western capitals, as well as Iraqi eyewitnesses, confirm that - in the absence of international solidarity - Saddam Hussein will, in time, be able to lay his hands on whatever he needs to resurrect his unconventional arsenal.

Conclusions

Will Saddam Hussein break out of the U.N. sanctions? Perhaps; but not in dramatic fashion. His effort to unite the Arab world under the Iraqi banner will almost certainly fail. However, Baghdad’s attempts to mend fences with Jordan, Syria, and Turkey - the bordering states whose support is decisive to the embargo - are now bearing fruit.
Securing revenues unmonitored by the oil-for-food program is the key to Iraq’s fortunes. With the influx of cash from smuggling and illicit fees - certain to continue after the downfall of smart sanctions - the Iraqi leader will be able, as before, to fund research on his unconventional arsenal. And cheap oil and the Iraqi market have proved to be powerful inducements to restore economic ties severed by the Gulf War. Using the economic lever, then, Saddam Hussein has started a cycle that is likely to lead to the revival of Iraq as a power broker in the Gulf region. While Iraq poses little threat to energy security over the near term, then, the picture could be markedly different five years hence.
Whither U.S.-Saudi Ties?

A widening gulf between Saudi Arabia and the United States over an array of regional and security policies has become increasingly visible in recent months. First, Washington’s perceived pro-Israel bias in the ongoing Israeli-Palestinian confrontation continued to deeply trouble and anger the Saudis. As noted in the June 2001 quarterly, Crown Prince Abdullah reportedly turned down an invitation to the White House in an uncharacteristic rebuff to signal his displeasure. In early June, King Fahd chimed in, urging the United States to restrain Israel. The Saudi cabinet later called on the international community to pressure Tel Aviv into ending its aggression. In the meantime, the crown prince visited Germany and urged Berlin (and the European Union) to play a more prominent role in resolving the conflict. He cautioned dramatically, “We are all sitting on a powder keg which can explode at anytime...such a war would not only affect the Israelis and the Arabs, but many parts of the world.” He also promised that, “every drop of Arab blood that has been spilled on our Arab land will be paid by those who spilled it.” His visit coincided with a growing European interest in halting the violence in the region.

In an interview with the Financial Times, Abdullah warned that a failure to end the cycle of violence could spur terrorism globally and ignite a regional war in the Middle East. He again urged the United States and Europe to intervene more forcefully. In late June, as a part of a regular consultation process between Saudi Arabia and the United States, Secretary of State Colin Powell met with the crown prince in Paris to discuss the conflict. Abdullah conveyed a pessimistic assessment of the Israeli-Palestinian conflagration, asserting that “the Israelis have turned their backs on peace.” The Saudi press was quick to celebrate Abdullah’s hardening position, further boosting his growing popularity in the kingdom. One observer praised the crown prince’s courage to break “the wall of fear from America.” Another analyst justified the crown prince’s stance, stating, “This fiery language is necessary and truly reflects the anger and awareness of the responsibilities on Saudi Arabia as the birthplace of Islam and as a regional heavyweight.”

According to the Washington Post, some leaders in Riyadh apparently threatened to scuttle business relations with American defense contractors that provided weaponry to Israel. As Israel steps up its attacks and extra-judicial killings - regarded as assassinations in Muslim circles - Saudi pressure on Washington will almost certainly increase in the coming months.

Second, the American indictment of thirteen Saudi Arabians in connection with the 1996 Al-Khobar bombing, which killed nineteen U.S. servicemen, further strained bilateral ties. The indictment, issued on June 21, stated that the suspects were members of an Iranian-backed Islamic group called the Saudi Hizbullah. It noted that, since 1993, they had received training in Syria, Iran, and Lebanon to eliminate the U.S. presence on Saudi soil. The indictment accused the suspects of murder, attempted murder, and conspiracy to use weapons of mass destruction. The authorities in Riyadh viewed the U.S. legal action as an infringement of the kingdom’s sovereignty and interference in the recent Saudi-Iranian rapprochement. Indeed, the indictments provoked anger at the highest levels of government. Prince Sultan, the kingdom’s defense minister, criticized the United States in unusually harsh terms. He insisted that the bombing concerned Riyadh alone and that the United States had no right to launch legal proceedings for crimes that occurred on Saudi soil. Interior Minister Prince Nayef, who led the Saudi investigation, was even more forceful in his public statements. He asserted, “We have nothing whatsoever to do with the U.S. court, and we are not concerned with what has been said or what is going to be decided by the U.S.” He emphatically ruled out any possibility of extraditing other suspects held in Saudi Arabia, stating, “No. Never. Impossible.” In an interview, he added that any trial “must take place before Saudi judicial authorities and our position on this question will not change. No other country has the right to investigate any crimes that occur on Saudi soil.” These reactions reflected deep Saudi displeasure with the United States.

A commentary in the government-run Al-Riyadh hinted at a larger conspiracy: “The aim [of the indictments] could be related to the political circumstances in the region, where America wants to
have a monopoly over finding solutions or [creating] complexities...There is no logic involving Iran...unless the reason is that America is not happy with the [Saudi-Iranian] rapprochement and the creation of a relationship based on trust and political and commercial exchange." The newspaper and the government viewed the indictment, which linked Iran to the terrorism, as a deliberate American tactic to undermine improved ties between Riyadh and Tehran. A senior policy analyst in the region observed, "I think that the Saudis now feel that a close neighbor is more important for their internal security than an ally who is far away." Whether such sentiments are widely shared is unknown. Nevertheless, this political fallout suggests that a more complex geostrategic dimension in U.S.-Saudi bilateral ties will likely emerge as Riyadh and Tehran forge closer ties.

Third, recent American military actions in the Gulf may have reinforced the kingdom’s already-declining confidence in U.S. security commitments in the region. In late May, a U.S. federal jury in New York convicted four men - who were allegedly acting under the orders of Osama bin Laden - for their involvement in the 1998 bombings of U.S. embassies in Africa. Security concerns combined with “credible” intelligence information heightened fears that bin Laden supporters might conduct terrorist reprisal attacks against American forces and citizens in the Gulf region after the convictions. As a result, the U.S. Central Command placed its military forces in the Gulf region - Bahrain, Qatar, and Saudi Arabia - on high alert. Most of the U.S. Navy’s Fifth Fleet based in Bahrain put out to sea as a precautionary measure. While prudent, this action prompted some sharp criticism and ridicule in the American press. One commentator noted that the apparent withdrawal only served to confirm American impotence in the face of the terrorist threat, which would in turn buoy a potential adversary’s confidence. Moreover, it further underscored perceptions of Washington’s unwillingness to risk casualties. The Saudis and other moderate Arab regimes no doubt shared similar sentiments. Indeed, in an unrelated interview, Prince Sultan rejected the idea that the foreign forces would remain for the long term to protect the Gulf.

How will these contentious issues impact U.S.-Saudi relations? Saudi perceptions of America’s pro-Israel bias have been analyzed in-depth in the past two quarterlies and do not require further elaboration here. It is sufficient to note that Riyadh does hold Washington responsible for the unending violence and that further deterioration of the situation would no doubt poison long-term bilateral ties. The more interesting aspects of the recent strains in the relationship relates to the two latter points, both pertaining to terrorism. Saudi Arabia’s vehement reaction to the American indictments against Saudi suspects highlights a fundamental rift in the treatment of terrorism between the two governments. The kingdom’s secretive investigation and general non-cooperation with American authorities in the immediate aftermath of the Khobar Towers bombing was an early indicator of things to come. Riyadh’s stance on terrorism goes beyond concerns over sovereignty and ties with Iran. The regime is primarily worried about the internal implications of an open investigation. As the indictments indicated, there were indeed citizens in the kingdom who wanted to undermine Saudi-American ties and were opposed to the royal family’s policies. Such a revelation was highly embarrassing to a regime that places a premium on internal stability and uniformity of domestic opinion. In other words, Riyadh would have much preferred to sweep the terrorist incident under the rug. Washington’s apparent failure to notify Saudi authorities about the indictments no doubt further irritated the regime.

America’s hurried withdrawal from the Gulf ports after the conviction of Islamists involved in the African embassy bombings underscores a different problem in the relationship. As indicated in previous quarterlies, the United States military as currently configured is ill-suited to cope with low-intensity threats that are diffuse and persistent. Should future threats of terrorism continue to elicit such a “cowardly” response, adversaries around the world would likely be emboldened to resort to terrorism, both to inflict real pain and to earn propaganda points by highlighting American weakness. Such a trend would further undermine the confidence among the various Gulf Arab regimes in America’s security umbrella. America’s inability to cope with terrorism - especially if future attempts are successful - will figure more prominently in their deliberations over extending the U.S. military presence. The incentives to retain American forces will likely erode as the prospects for a major conventional war in the Middle East fades, which was reflected in the Pentagon’s recent shift away from the two-war strategy (see the June 2001 issue). America’s military presence, a constant source of irritation, could then become increasingly irrelevant in the eyes of Gulf states. For example, American forces on Saudi soil would become harder for the regime to justify to its people, especially if the no-fly zones over Iraq collapses or ends.

While these pressures - the Israeli-Palestinian conflict and terrorism - on Saudi-U.S. relations are no doubt increasing, the complexity of the relationship ensures that bilateral ties will not rupture irrepa-
probably. The benefits of closer ties with Washington counterbalance many of the kingdom’s discontents. In particular, the Saudi regime cannot ignore the economic dimension of the relationship. The success of the kingdom’s economic liberalization policies and its recent bid to join the World Trade Organization will largely depend on American goodwill and assistance. Much of Saudi Arabia’s vast oil industry operates on U.S. technology and expertise, with thousands of American expatriates residing in the kingdom. More recently, the Saudi government approved the participation of American oil giant, ExxonMobil, and other oil firms in a major gas development project worth $15 billion. As Abdullah’s reforms expand further, economic incentives will no doubt bind the states closer together.

More importantly, Crown Prince Abdullah, who runs the day-to-day affairs of the kingdom, is a pragmatist rather than an ideologue. In the case of his rhetoric over Israel, an analyst on the region explained, “As a true pan-Arab champion, he cannot swallow the fact that Israel is humiliating the Arabs. However, he is a realist who will not act irrationally, such as reviving the oil weapon that has become a double-edged sword.” Moreover, Abdullah must respond vigorously to Tel Aviv’s actions, at least publicly, in order to dampen the potential for social unrest in a country suffering from 25-30 percent unemployment, particularly among the restless youth. In the case of terrorism, both governments share a common interest in defeating the threat. Terrorism strikes at the very heart of internal stability and regime survival, both constant obsessions of the royal family. The United States, which relies on criminal justice based on democratic principles, and Saudi Arabia, which wields the brute force of authoritarianism, are fundamentally at odds over the form and tactics for countering terrorism. But both sides also recognize this difference is a reality that will not change. In the security realm, the kingdom is still deeply suspicious of its neighbors (Iraq and Iran) and would prefer the United States to hedge against the resurgence of these two powerful potential adversaries. The crown prince will continue to contend with these competing demands and engage in a tough balancing act to secure the national interests of the kingdom and the regime’s survival.

**Tensions Rise between Saudi Arabia and Iraq**

As Iraq’s intransigence has increased in recent months, Saudi - and broader Arab - relations with Baghdad have deteriorated. In early June, Iraq threatened to cut off oil exports in an effort to topple a new U.S.-British proposal to amend the U.N. sanctions regime. The foreign ministers of the Gulf Cooperation Council (GCC) issued a joint statement that urged Iraq to engage with the United Nations to demonstrate good faith. The document demanded that Baghdad cooperate with the United Nations on weapons-of-mass-destruction issues and condemned recent Iraqi threats against its neighbors. It is clear that while regional sympathy for Iraq and willingness to lift sanctions may have increased, the Gulf Arab states remain unified, probably under the aegis of Riyadh, in containing a potential military threat. As the impasse over the sanctions regime continued, Baghdad continued to blast the kingdom rhetorically for its support of allied air sorties over the no-fly zones.

In a major escalation, Iraq launched a series of cross-border raids into Saudi Arabia, beginning in mid-March, that reportedly injured Saudi soldiers on patrol. In May, an Iraqi soldier was apparently killed in a border skirmish. For months, the kingdom remained silent and the world was oblivious to the incidents. As discussions of relaxing the sanctions intensified, the Saudis lodged a well-timed complaint to the United Nations in early June, charging the Iraqis with conducting at least eleven intrusions. Saudi forces then seized an Iraqi oil pipeline, now in disrepair, that the kingdom had permitted Baghdad to build on its territory more than a decade ago. The pipeline, which was disconnected by the Saudis after Iraq’s invasion of Kuwait, had the capacity to pump 1.6 million barrels of oil per day to Red Sea oil terminals.

Riyadh justified its actions on the grounds that Iraq’s ongoing aggressive behavior had “destroyed any rationale for maintaining the facilities.” The kingdom also warned of “grave consequences” if Iraq failed to cease its actions. Iraq in turn accused Saudi Arabia of an “illegal act of sequestration” and vowed to “take the necessary measures to safeguard its own property.” While Saudi authorities hinted that the kingdom might convert the pipeline to carry gas, the government has yet to take any substantive action. In sum, Riyadh’s abrupt revelation of Iraqi raids, made in the highly public arena of the U.N., and the subsequent confiscation of the pipeline were largely intended as a political message.

The sporadic shootings have continued. In late June, Saudi border guards killed an Iraqi soldier who reportedly infiltrated the kingdom. Iraq denied the incident, insisting that the soldier was shot in Iraqi territory and dragged across the border. Baghdad further accused Riyadh of deliberately heightening tensions in order to help push through the “smart sanctions” in the U.N. In late August, the Iraqi News Agency reported that a group of armed
Saudis had penetrated into Iraq. It claimed that the border guards engaged the intruders and killed one of them.

It remains uncertain which side instigated the tit-for-tat cross-border exchanges. While the motives for the clashes are equally unclear, these occasional flare-ups are likely an Iraqi maneuver to achieve short-term political objectives. Baghdad may have hoped to demonstrate its displeasure at the kingdom’s apparent willingness to keep Iraq contained. The incidents also provided an additional public relations vehicle to highlight the kingdom’s complicity in allied air operations. Saddam Hussein’s gambit predictably backfired. The Saudis were able to capitalize on these raids to demonstrate the Iraqi threat - and slow the growing momentum toward easing the sanctions. The kingdom will surely rely on similar strategies to discredit the Iraqi regime in the future. Iraq’s unpredictable behavior has reinforced Saudi perceptions that Baghdad cannot be trusted. So long as Iraq’s unbending position persists, the kingdom will use its clout to defer any efforts to bring Iraq back into the Arab fold. It is important to note that these incidents appear to be minor and do not suggest any major military escalation. A genuinely threatening movement of Iraqi forces would have been easily detected by the watchful allied patrols over the no-fly zones. American air power and other military assets in the region would deter Saddam Hussein from entertaining any significant scale of aggression.
Iranian president Muhammad Khatami scored a triumph of impressive proportions in the June 2001 elections, garnering upwards of three-quarters of the ballots. Yet, despite the popular euphoria that accompanied his reelection, it was not immediately apparent that Khatami and his backers in the Majlis (parliament) would be able to translate 2nd Khordad’s recent success at the ballot box into real political gains. In fact, their chances are bleak. The president’s hardline opponents continue to control the institutions that are the wellspring of power in the Islamic Republic – the army, the security services, the judiciary, and influential quasi-judicial organs such as the Guardians Council. Their string of electoral victories notwithstanding, the liberals have been unable to erode conservative domination of these all-important bodies. How they can enact their liberalizing program without making headway in these areas remains unclear.

That suits the conservatives just fine. The elections lent an air of republican virtue to their domination of Iranian politics, which remains effectively unchallenged. Indeed, the dinosaurs even managed to hold up Khatami’s inauguration until they exacted a series of concessions from the Majlis. Emboldened by their popular mandate, liberal-minded members of parliament had voted down several conservative candidates for the twelve-member Guardians Council, which wields near-absolute power over the electoral process and is the arbiter of constitutional law in the Islamic Republic. Of the eight lawyers nominated to fill three vacancies, only one received the minimum number of votes needed for approval. In early August, however, Supreme Leader Ali Khamenei barred the presidential swearing-in ceremony until parliament approved two of the conservative candidates for the council.

A sleight-of-hand by the hardliners eventually forced lawmakers to vote a second time on the slate of conservative nominees. Acting on the advice of the Expediency Council, the supreme leader loosened the voting rules in midstream so that it was virtually impossible to defeat their candidacies. The rule change called for the top two candidates to be approved, regardless of how many – or, revealingly, how few – votes they received. (Of 243 members of parliament, two-thirds, or 162, registered their protests by casting blank ballots in the second round of voting.) It seems obvious that this powerful institution will remain firmly in the grasp of conservatives – giving the dinosaurs the ability to block legislation, even on the flimsiest of pretexts, that is not to their liking. They have no intention of letting procedural niceties diminish their influence over Iranian affairs, whatever the affront to democratic theory.

Worse, the standoff was a reminder that the supreme leader can single-handedly thwart the popular will. Khamenei also deployed his authority in June, when he authorized the Majlis to examine the financial activities of the state broadcasting company, IRIB. In so doing, the supreme leader overrode the objectives of conservative deputies, the speaker of parliament, and even the Expediency Council – most of whose members Khamenei himself had appointed. While reformers undoubtedly welcomed the chance to investigate the IRIB for corruption, the supreme leader’s ability to ride roughshod over the people’s elected representatives was surely disquieting to them. It was a harsh lesson in the smash-mouth brand of politics practiced by Iranian conservatives.

These dismal events cast a pall over the August 8 inauguration ceremony. Sounding a hopeful note, President Khatami emphasized the magnitude of the victory he had won. “With a conscious vote,” he proclaimed, “our intelligent and resolute nation gave a great credit to those who are in her service. Once again, our nation clearly confirmed in the same attitudes that she had voted for four years ago. This confidence has increased the people’s rights and my responsibilities.” In reality, the lackluster course of reform during Khatami’s first term casts doubt on the future of the liberalizing movement. Adding insult to injury, within hours of the inauguration, the judiciary ordered the closure of Hambastegi, a supposedly corrupt reform daily. And the hardliners vowed to subject Khatami’s cabinet nominees to minute scrutiny – in other words, judicial harassment. Best of luck, Mr. President.
...The More They Stay the Same

A series of scuffles between Washington and Tehran dashed already-faint hopes that the new Republican administration would ease the economic and diplomatic pressure on Iran. First, in June the U.S. Justice Department indicted fourteen individuals said to have carried out the 1996 Khobar Towers bombing, which killed nineteen U.S. Air Force personnel and wounded three hundred seventy-two others. According to a statement by Attorney General John Ashcroft, the culprits, thirteen members of Saudi Hezbollah plus one Lebanese national, "reported their surveillance activities to Iranian officials and were supported and directed in those activities by Iranian officials." Ashcroft stopped short of indicting these officials or explicitly blaming Tehran for the attack. Nevertheless, Iranian Foreign Ministry spokesman Hamid Reza Asse-\textsuperscript{eral John Ashcroft}, the culprits, thirteen members of Saudi Hezbollah plus one Lebanese national, "reported their surveillance activities to Iranian officials and were supported and directed in those activities by Iranian officials." Ashcroft stopped short of indicting these officials or explicitly blaming Tehran for the attack. Nevertheless, Iranian Foreign Ministry spokesman Hamid Reza Assef's vehement denial of the charges, which he ascribed to "the ceaseless efforts of the United States to pressure the Islamic Republic" and, inevitably, "the Zionist lobby and its influence."

Second, throwing additional fuel on the fire, President George W. Bush signed into law a bill that extended the Iran-Libya Sanctions Act (ILSA) until 2006. Since few politicians of either party relish the thought of being painted as soft on terrorism, the sanctions bill had passed convincingly in both houses of Congress. ILSA authorizes the president to penalize U.S. and foreign firms that invest more than $20 million annually in the Iranian petroleum industry. To justify the new legislation, the White House cited the per-\textsuperscript{eral John Ashcroft}, the culprits, thirteen members of Saudi Hezbollah plus one Lebanese national, "reported their surveillance activities to Iranian officials and were supported and directed in those activities by Iranian officials." Ashcroft stopped short of indicting these officials or explicitly blaming Tehran for the attack. Nevertheless, Iranian Foreign Ministry spokesman Hamid Reza Assef's vehement denial of the charges, which he ascribed to "the ceaseless efforts of the United States to pressure the Islamic Republic" and, inevitably, "the Zionist lobby and its influence."

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Two factors softened the blow. ILSA gives the president the authority to levy sanctions against sanctions-busters; it does not compel him to do so. Spokesmen for the White House have denied any intention of aggressively pursuing new sanctions against foreign firms. "We see no reason to pick fights with Europe or other allies," declared one official. Moreover, when signing the ILSA extension, Bush indicated – undoubtedly to encourage Iran to improve its behavior – that the sanctions would be reviewed frequently. The law requires the administration to reassess the sanctions periodically and report to Congress. Should he find that the Islamic Republic has met U.S. conditions, the president can recommend modifications to – or outright termination of – the sanctions. So ILSA proffers a carrot while brandishing a (small) stick.

Amid the predictable chorus of denunciations – official commentary chalked up the ILSA renewal to "lobbying by the Zionists" – some Iranian officials acknowledged that the sanctions have inflicted serious damage on the oil and gas sector. Petroleum Minister Bijan Namdar-Zangeneh admitted that ILSA had undercut Tehran's ability to attract foreign investment. The country's oil infrastructure antedates the 1979 Islamic Revolution and urgently needs to be upgraded with modern technology. In early August, Zangeneh told state television that production, had dropped by 1.5 million barrels per day over the past five years because of the lack of investment. Moreover, the lack of foreign investment has inhibited exploration of 80 percent of the country's vast oil reserves, which are estimated at 1 million square kilometers. And Iran is only a minor exporter of natural gas despite boasting the world's second-largest gas reserves. Zangeneh painted a gloomy picture.

Other officials put a brave face on the ILSA renewal. Ayatollah Ali Akbar Hashemi-Rafsanjani, chairman of the Expediency Council, insisted that "the renewal of sanctions is nothing new or important, and its effect is no more significant than the weight of a tiny bird upon the branch of a huge and deep-rooted tree." Well, are the sanctions effective, or aren't they? In terms of hurting the fortunes of the Islamic Republic economically, it seems clear that ILSA is having an acute effect. The petroleum minister's confession evidences the distress of the state-owned petroleum firms, and the consequent impact on Iranian oil exports. And the economy depends heavily on those exports.

In terms of modifying Iranian behavior, however, the United States faces much the same dilemma confronted by Muhammad Khatami. Whatever the sentiments of the Iranian people towards America – and they are not nearly so hostile as their leaders – the wishes of the people have little effect on public policy. Moreover, on issues such as weapons of mass destruction, Iran is motivated largely by security concerns related to Iraq and Israel, not the United States. Changing Tehran's security calculus, then, will be difficult regardless of who holds the reins of power in the Islamic Republic and how relations with the United States evolve.

A final irritant that emerged this past quarter was Tehran's creation of a new court in which Iranian citizens can sue the United States directly for alleged breaches of international law. In November 2000, the Guardians Council approved legislation permitting "victims of U.S. interference" to file claims in Iranian court. Among the "U.S. crimes" mentioned by officials such as Expediency Council chairman Rafsanjani are the 1988 downing of an Iranian airliner by the cruiser USS Vincennes. The decision to permit individual citizens to sue foreign countries came in response to a wave of suits by former...
Western hostages in U.S. court. In recent months, American judges have awarded upwards of $500 million to the aggrieved parties. The awards will be paid out of Iranian assets, totaling some $1.6 billion, that were frozen by Washington at the time of the Islamic Revolution. (A joint claims tribunal has been in existence for years to adjust claims by the governments against each other.)

There was no ambivalence among the hardliners about the recent souring of relations. At Qom, the hub of Islam in Iran, a conservative cleric lamented the “world Zionist dictators sitting in America and dictating things for our part of the world....They impose economic sanctions on Iran and the Islamic Republic. So much coercion, so much bullying. They call this freedom. They call this civilization. Death to such civilization...” Echoing these sentiments, albeit in less apocalyptic terms, the supreme leader maintained that the “crime of the Islamic Republic” was saying “we will not yield to you.” How much of this is simply for public consumption is uncertain. Still, the dinosaurs seem little inclined to buckle under to the Great Satan — come what may.

The Politics of Biotech

Meanwhile, the United States and Iran continued their venomous war of words over the Islamic Republic’s pursuit of weapons of mass destruction. In July, Secretary of Defense Donald Rumsfeld accused Tehran of developing biological weaponry contrary to the Biological Warfare Convention, of which it is a signatory. Whatever the truth of Rumsfeld’s claim, the dispute highlights two political difficulties confronted by the Bush administration in this area.

First and foremost, Washington recently withdrew from protracted negotiations on a protocol to enhance the verification of the convention. Bush administration spokesmen contended - correctly, if the frustrating U.N. experience with Iraq is any guide - that the new verification procedures would be ineffective. Worse yet, industrial espionage would be a likely side-effect of intrusive inspections and would exact a high price from the U.S. biotech industry - making the more muscular Biological Warfare Convention under discussion an exceedingly bad bargain for the United States.

Part of the inevitable fallout from this action - however justified Bush’s decision may have been - is that American officials will speak with diminished authority on such matters in the future. That is political fact. That the United States dismantled its biological arsenal soon after the Biological Warfare Convention was originally negotiated will count for little in the propaganda war. And, indeed, Iranian state television scoffed at Rumsfeld’s statement as a ploy to disguise America’s own contrarian stance on biological warfare.

Second, for foreign intelligence services it is exceedingly difficult to distinguish between illicit weapons programs and legitimate research. Numerous Iranian universities and research institutes are energetically pursuing a variety of projects in the fields of biotechnology and genetics. The nature of biological-warfare agents makes it easy to press ahead with prohibited research while strenuously denying it – and thereby making it impossible for Washington to generate any sympathy for its position in the international community. Happily from the U.S. vantage point, though, the Islamic Republic continues to suffer from a severe brain drain that has left the country with only 500 qualified biotech researchers.

In short, the safest bets are that the Islamic Republic is in fact building an unconventional arsenal to buttress its claims to great-power status and that the pleas of the Bush administration, currently the whipping boy of the international community, will fall on deaf ears at the United Nations.

Muscle-Flexing in the Gulf...

In early August, the naval component of the Islamic Republic Guard Corps (IRGC) staged three days of maneuvers in the Persian Gulf. The IRGC flexed its capabilities in boarding at sea, parachute operations, amphibious assault, mine-laying, and minesweeping. Navy personnel also tested shipboard surface-to-surface and surface-to-air missile systems. Admiral Ali Razmjoo, a spokesman for the navy, declared that the “games promise friendship and peace to the neighboring states.” If anything, however, these naval maneuvers are designed to impress upon Iran’s neighbors its ability to make life difficult for them – perhaps even to the extent of closing the Strait of Hormuz.

Would the Islamic Republic actually close the Strait? It’s tough to imagine the circumstances that would warrant such a rash action, even among the hardliners who direct the nation’s foreign and military policies. First, the navy lacks the assets to interrupt shipping for more than a brief interval. To take just one example, the much-ballyhooed Kilo-class submarines purchased from Russia have largely failed to live up to their billing. Inadequate training and maintenance trump fancy Russian-built hardware. Should Tehran menace shipping in its backyard, Western navies would undoubtedly force the Strait – and humiliate Tehran by exposing the vacuity of its grandiose saber-rattling – in short order.

Second, and equally important, closing the Strait would be a self-defeating course of action. Like other Persian Gulf nations, Iran relies almost exclusively...
on oil exports for such prosperity as it enjoys, and would be reluctant to jeopardize its economic lifeline. Third, aggressive action in the Strait would negate the peace offensive that has relaxed tensions with Saudi Arabia, given the Islamic Republic potential allies against a resurgent Iraq, and allowed Tehran to forge commercial ties with Europe. It seems plain, then, that Tehran will refrain from overtly provocative activities in its littoral waters. Naval exercises are a tangible reminder of Iran’s great-power status and its aspirations to regional dominance. Barring some cataclysm at home, such as a counterrevolution by reformers against the conservative dinosaurs – a remote possibility – energy security in the Gulf region seems assured.

...And the Caspian

Tehran’s naval demonstrations are not confined to vindicating the national grandeur of the Islamic Republic. Tensions flared over Caspian Sea petroleum resources. On July 23, for instance, an Iranian warplane harassed two research vessels under contract with British Petroleum. Subsequently, a gunboat from the Iranian navy ordered the two vessels from disputed waters. Iran currently controls some 13 percent of the Caspian basin but has backed a plan under which 20 percent would be allocated to each of the five littoral states. The BP research vessels were conducting operations within the 20 percent claimed by Iran. The prime minister of Azerbaijan, the other claimant to those waters, decried Iran’s “gross violation of international norms,” while a spokesman of Iran’s Foreign Ministry professed astonishment at the “Azeri hue and cry against measures taken by the Islamic Republic to defend its legitimate rights.” Tehran’s attempt to present a fait accompli in the Caspian Sea is sure to prolong the long-running dispute over seabed resources.

Conclusions

And there matters stand. It is hard to see how President Khatami can parley his electoral victory into tangible results in the face of implacable conservative opposition. Short of organizing some sort of popular resistance to the supreme leader – a drastic step for which Khatami, an inveterate appeaser, has shown no appetite whatsoever – change in the Islamic Republic will have to await the advent of a new generation of clerics. Thus the president’s only viable option may be to continue his public-education campaign in an effort to sow moderation among Iranian youth. Indeed, such generational change may already be in the offing. Five hundred clerics, for instance, recently signed a petition advocating the release of Ayatollah Montazeri, a liberal hero, after years of house arrest. Such hopeful signs notwithstanding, a synthesis between democracy and the harsh brand of Islam practiced by Khamenei and his disciples – if such a thing is possible – will emerge at a glacial pace.

Finally, it bears repeating that President Khatami has little voice in national security affairs in any case. These are the province of the supreme leader, and liberals have been unable to establish oversight in these areas. Thus continuity will reign in the realm of Iranian foreign policy. The Islamic Republic will continue to pursue its buildup of conventional and unconventional arms, with the ultimate goal – however fanciful – of expelling Western armed forces from the region. Still, for reasons outlined above, the chances of an overt Iranian threat to energy security remain remote.

September 2001
Domestic Developments

Half Steps Forward?

Much of the political discourse within the parliament and throughout Kuwait has focused on the need for significant structural economic reforms, and the parliament has passed a number of laws setting a rudimentary framework for privatization and diversification of the economy. However, implementation has continued to be extremely slow, given the traditionally formidable societal and political obstacles that lie in the path of meaningful reform. Unfortunately, it does not look like the political deadlock between the cabinet and the parliament will break any time soon, and, given the makeup of parliament (dominated by populist and Islamic lawmakers), it is unlikely that the situation can change without a large-scale popular embrace of reform.

Typifying the difficulties faced by the cabinet in its drive to reform the economy was the announcement in June that the government will spend almost its entire FY 2001 oil income of $10.6 billion on salaries for workers under the existing state employment system. A staggering 93 percent of the approximately 230,000 Kuwaitis citizens in the workforce are employed in some capacity by the state. This massive public sector expenditure on wages, benefits programs, and related costs is an enormous burden that will have to be addressed if the Kuwait is ever truly going to reform.

The perceived ease in obtaining and holding a public-sector job has created an entitlement mindset within the population (particularly among the younger Kuwaiti workers entering or within the first few years in the workforce), which in itself creates problems. First, Kuwaiti voters vested in the current system pressure parliamentarians to safeguard their jobs and benefits - a major reason for the cabinet’s inability to pass reform legislation or to implement reforms after legislation has been passed. Secondly, foreign firms considering whether to enter Kuwait - a goal of the cabinet is to encourage and facilitate foreign direct investment - have found it extremely difficult to locate and hire workers with the necessary training, education and motivation to meet private sector standards.

While real reform will likely mean significant displacement and “pain” for a large number of Kuwaitis, it is highly unlikely that the country can move forward to a truly diversified, open economy without taking tough measures. An initial $172 million investment in the first-ever unemployment program by a GCC state is a progressive first step, but is certainly not enough.

The Costs of Doing Business

Similarly, the saga concerning the renewal of Japan’s Arabian Oil Company (AOC) contract to drill on the Kuwait side of the Saudi-Kuwait neutral zone shows the difficulties confronted by foreign firms at work in Kuwait (particularly in the oil sector). Given the slowly progressing Plan Kuwait, which seeks to invite foreign oil companies to develop northern oil fields, populist forces within and outside of parliament have used the renegotiation issue to fire a warning shot at the cabinet and foreign firms. Corporations looking at the prospects of becoming involved in Plan Kuwait will take a hard look at the final disposition of the AOC contract and the public and legislative reaction to the negotiations and the court battle.

Further Developments

In late June, the parliament approved a draft law to suspend and review Kuwait’s military conscription law, ostensibly to move forward in building a force capable of effectively integrating into a combined GCC force (should such a thing ever come to pass). Whether conscription continues to be a component of Kuwait’s armed forces, or whether (as some MPs have offered) Kuwait moves to a professional, all-volunteer force, remains to be seen. In addition, the current budget earmarks $650 million for arms acquisition as part of the continuing twelve-year, $12 billion program to rebuild the Kuwaiti military after the Gulf War.

The cabinet announced in early June that it was preparing to cut the tax rate for foreign companies operating in Kuwait from 55 percent to 25 percent. However, the bill must be ratified by parliament before the cut actually takes effect, and, given the current political environment, it may be a difficult initiative to pass. In July, Kuwait and Belarus signed agreements on mutual investment protection and
tax exemptions for government-owned corporations. Discussions on a similar agreement with Russia have taken place and are believed to be close to completion.

In early July, Kuwaiti officials, along with their GCC counterparts, approved the first phase of a feasibility study on a $1 billion project to link the gas networks of the six member states. In addition, the GCC has entered into discussion with the European Union to discuss the development of new export markets for Gulf oil and gas. The development of a joint EU-GCC commission on oil and gas supplies was discussed as well.

**Foreign Developments**

The approach of the eleventh anniversary of Iraq's invasion of Kuwait brought an increase in Iraqi activity, seemingly focused on instigating a large-scale U.S. military response and intimidating Kuwait. Beginning in July, there was an increase in Iraqi attempts to shoot down U.S. surveillance planes, including a July 20 incident in which an Iraqi surface-to-air missile was fired at a U.S.E-2C Hawkeye early-warning plane flying in Kuwaiti airspace. Additionally, reports emerged from U.S. intelligence and defense sources that Iraq had successfully rebuilt most of the air-defense infrastructure that had been damaged by U.S. and British air strikes in February. At the same time, Iraqi media reports of an allegedly indigenous resistance movement at work in Kuwait seemed to represent the newest tactic in the quest to cow the Kuwaiti regime. However, over the same period Kuwait has continued to strengthen relations with other Arab nations, including Egypt and Syria, and skillfully undermined attempts by Iraq to link Kuwait with the United States and Israel as an enemy of the Arab people.

**Forcing an Endgame?**

Iraq's motives for stepping up the attacks seem to lie in the belief that a disproportionate, large-scale U.S. response to its provocations would undermine U.S. credibility and create a groundswell of support in the UN for a complete lifting of the sanctions regime. Given the complete failure of the U.S. “smart sanctions” initiative and mounting global concerns over U.S. unilateralism on a variety of issues, Saddam may believe that a hard-hitting U.S. retaliatory attack on Iraq could be the final straw. Evidence of civilian casualties, whether real or created, could provide the impetus for a review of the sanctions within the UN and fuel a move - motivated in part by antipathy towards Washington - to lift them. U.S. defense officials are in a difficult position. A failure to respond to the Iraqi activity encourages further provocative action (and the possible shutdown of a U.S. plane); yet a response that is too large (something impossible to measure) could carry serious political consequences.

Similarly, the Kuwaiti leadership is in a difficult position. It understands the U.S. dilemma, but faced with its own familiar problem of perceptions in the Arab world of being too close to the United States. On August 1, Sheik Muhammad al-Sabah stated his opposition to any U.S. air strikes against Iraq, because the Kuwaiti government fears that such a course of action would only serve Saddam Hussein's purposes. “The Iraqi regime does not care about any harm brought upon its people. It refuses to help them, and does not even want the blockade to be lifted.” The statement reflects the Kuwaiti strategy of echoing sympathy for the plight of the Iraqi people, while firmly opposing the leadership in Baghdad.

It also clearly illustrates Kuwait's fear of an Iraq free of restraints and Kuwaiti leaders' understanding of the utility (for propaganda and domestic control purposes) that the existing sanctions provide for Hussein.

**Stirring the Pot**

At the same time, the Iraqi media began reporting on the activities of “national resistance groups” at work within Kuwait, attempting to overthrow the emir and attacking state interests. A shutdown of a refinery at the al-Shuaiba oil field and a more serious incident involving an explosion at the al-Ahmadi oil field were both credited to these revolutionaries. While the Kuwaiti government officially denied these reports, Information Minister al Ahmed admitted on August 1 that “We have started to fear terrorist operations by the Iraqi regime.” Kuwaiti security sources deny the existence of an indigenous armed Kuwaiti opposition operating within the emirate, but clearly officials are concerned that Iraq is fomenting opposition among the various non-Kuwaiti workers living in the country. At the very least, the “Kuwaiti organization calling itself Muhammad’s Army Battalions,” as described by Iraqi news outlets, may serve as a cover for Iraqi activities. Fears of domestic insurgencies are also exacerbated by the implementation of recent GCC-related agreements to facilitate the movement of laborers among the member states, which may have the unintended consequence of aiding Iraq special-force-operations efforts within the emirate.

Whether the actual capabilities of indigenous or external insurgents operating within Kuwait prove to become a serious concern for Kuwaiti security forces, it seems that Iraq's decision to introduce this element into the regional security dynamic is connected to the recent U.S. response to potential terrorist activities in the Gulf. The highly publicized
U.S. response of moving manpower and assets out of the region, which came in the face of intelligence reports of a plan by Osama bin Laden’s al-Qaidah network to hit U.S. targets in June, may have increased the value of such psychological tactics in the Saddam Hussein’s mind. French Arab-speaking media reports of the apprehension of Afghan infiltrators attempting to link up with Kuwaiti militants to attack U.S. targets have added to the heightened sense of insecurity. While the psychological impact of potential terrorism is, in itself, a weapon, in reality Kuwaiti forces have been successful in identifying and thwarting terrorist plots. However, U.S. and Kuwaiti intelligence services will have to work together to provide a coordinated response to these threats, and will likely increase force-protection capabilities at Camp Doha and other possible targets.

Strengthening the Bridges...

On August 18, Syrian President Bashar al-Assad visited the emirate to discuss bilateral economic and political relations, as well as the ongoing conflict between Israel and the Palestinians. While Syria and Iraq have improved their relations, particularly relative to the movement of Iraqi oil, Assad has vocally supported Kuwait, specifically on the critical issue of Kuwait’s prisoners of war in Iraq. Assad’s visit is the latest in a series of important bilateral meetings between high-ranking Kuwaiti officials and their counterparts from other Arab states. In June, for instance, a Kuwaiti delegation visited Egypt to discuss increased economic and military cooperation.

Strengthening these diplomatic linkages has greatly improved Kuwait’s geopolitical situation in the region, as evidenced by the Arab reaction to a mid-August Iraqi initiative to set up an Arab League-moderated discussion of the POW issue between Baghdad and Kuwait City. The Kuwaitis refused to take part in the process, and, more importantly, not a single Arab capital took up the Iraqi cause or pressured the Kuwaitis to discuss the proposal for the sake of Arab unity. Kuwait’s public and economic support for the suffering of the Palestinians, and even its public expressions of empathy for the suffering of the Iraqi people under the sanctions regime, have done a great deal to build goodwill within the Arab world. At the same time, the quiet decision to prohibit Hamas from opening an office in Kuwait reflects the cabinet’s clear grasp of reality and the need to balance Arab solidarity with U.S. (and its own) security concerns.

At the same time, Kuwait has continued to build bridges outside of the Arab world. Magnanimous gestures, such as sending emergency humanitarian aid to Iran to help flood victims, have met with great appreciation and acclaim in the Iranian media. Continuing economic and political discussions with Russia have led to an increasingly close relationship, leading to a Russian pledge to pressure Iraq to address the Kuwaiti POW situation. These diplomatic maneuvers within and outside of the region have paid dividends and should continue to improve Kuwait’s bargaining position with Iraq, should the opportunity for a real dialogue between the former enemies arise.

A Wake-Up Call?

At the very least, Iraqi efforts to provoke a showdown with the U.S. and to destabilize Kuwait should concern U.S. defense planners and emphasize the importance of the U.S. presence in Kuwait. A July 25 Washington Post article reported on leaks that Secretary of Defense Rumsfeld and the Joint Chiefs of Staff were considering a strategy that would likely involve cuts in U.S. conventional forces, particularly those stationed abroad. Particularly alarming was a quote in the article: “...one official said, planners are looking at the U.S. military presence around Iraq. ‘What is our long-term force construct for the area?’ he said. ‘Do we really need the Army in Kuwait all the time?’” News of such discussions surely caused alarm within the Kuwaiti government and will provoke fierce debate within the U.S. Congress. While Kuwait ratified the GCC defense pact on June 18 and has taken steps to improve its own defense capabilities, the deterrent effect of the U.S. forward deployment at Camp Doha is considered critical to Kuwait’s security. Any attempts to change the U.S. force structure in the Gulf will necessarily be carefully weighed to account for the reactions of Kuwait City and Baghdad, and it is highly unlikely that a dramatic (and very likely destabilizing) reduction in forces will take place in the near future.
Abu Dhabi has embarked on a new diplomatic initiative with Iran in an effort to resolve the dispute over Abu Musa and the Tunbs. Yet, despite a recent high-level visit by UAE officials to Tehran, Iranian concessions are unlikely. As a result of the continuing tensions - not to mention immutable geostrategic realities - the UAE will continue to view Iran as the primary threat to its security. Despite this ongoing security concern, the UAE has joined Qatar and Kuwait in opposing implementation of a new Gulf Cooperation Council (GCC) security pact aimed at improving combined defensive capabilities among the Gulf Arab states.

New Diplomacy
On 23 July, UAE foreign minister Shaykh Hamdan bin Zayed al-Nuhayyan led a high-level delegation to Tehran. Billed as a congratulatory gesture to newly elected President Khatami, the mission reportedly set the stage for discussions regarding the long simmering Abu Musa and Tunb Islands dispute. Seized by Iran in 1971 after Britain’s withdrawal from the region, revenues derived from the offshore oil fields adjacent to Abu Musa – the largest of the three islands – were shared between Iran and the UAE from 1971 until 1992. A series of incidents in 1992 sparked a renewed row between the two countries and led to Iran’s militarization of Abu Musa. The Greater and Lesser Tunbs are too small to support permanent military bases. In addition to an airstrip, estimates show that Iran has stationed an estimated 4,000 troops and three to five fast-attack patrol craft on Abu Musa. Moreover, Tehran may have positioned a stockpile of chemical munitions on the disputed island.

How to shape relations with Iran, and how to approach the islands dispute, continues to divide opinion in official circles. Leaders in the emirates of Abu Dhabi and Ras al-Khaimeh promote a tough stand, for example, but Sharjah – which was once a principal beneficiary of shared revenues derived from the oil fields adjacent to Abu Musa – is more cautious. Dubai, for which Iran is the largest re-export market (representing 20-30 percent of the emirate’s trade), wants a resolution of the islands dispute and other bilateral issues between the UAE and Iran. The crown prince of Dubai was even reported as having implied that the United States, rather than Tehran, was responsible for heightened tensions in the Gulf, a comment apparently meant primarily for the domestic audience.

Should Muhammad Khatami succeed in consolidating power in the Islamic Republic, and subsequently diminish the influence of hardliners on Iranian foreign policy - a remote possibility; see the Iranian chapter - it would create the potential for a resolution to the islands dispute. However, given the political capital expended by Abu Dhabi on supporting its view of the dispute and proper outcome, it is questionable whether the UAE would be willing to actually cut a deal without significant concessions by Tehran. In the late 1990s, Iran allegedly offered the UAE sovereignty over the Lesser Tunbs in exchange for recognition of Iranian control over the Greater Tunbs and Abu Musa, but such a limited arrangement would likely be anathema to Abu Dhabi.

One potential avenue to an agreement is the possible willingness of Saudi Arabia to provide the UAE concessions elsewhere in exchange for a UAE reconciliation with Iran. Riyadh, as evidenced by Crown Prince Abdullah’s push to resolve Kuwait-Iran border disputes, may see the resolution of the islands issue as a way to consolidate the Saudi-Iran rapprochement begun in the mid-1990s. Such concessions may take the form of land deals in the oil-rich Ruwais border area between Saudi Arabia and the UAE. They may also include an increased willingness by Riyadh to cede additional – albeit limited – political power to Abu Dhabi in intra-GCC relations.

Threat Perceptions Unchanged
While renewed diplomatic efforts on the islands dispute may lead to more civil diplomatic relations between Abu Dhabi and Tehran, the UAE will continue to view Iran as its primary security threat. Its vulnerable geographical position and Iran’s ambitions to regional dominance make a change in the emirates’ threat evaluation exceedingly unlikely.

In light of this perception, the UAE armed forces have been conducting an ongoing naval modernization program, including the purchase of major surface warships (frigates), fast-attack
patrol vessels, maritime reconnaissance aircraft, and enhanced command-and-control systems. The focus of UAE attention is Iran’s Kilo-class submarine fleet. The Iranian navy operates three Russian-built and -equipped Kilos capable of interdicting commercial and naval traffic in and around UAE waters; reporting suggests the Iranians are looking to acquire additional late-model Kilo platforms.

Iranian submarines could also be used to gather intelligence, as well as to conduct special operations – such as landing saboteurs along the UAE’s vulnerable coast. While the UAE navy’s anti-submarine-warfare capability is composed of surface and air assets, there are indications that Abu Dhabi may be looking to purchase diesel submarines from either Italy or Germany. Submarines are the best platform to counteract other submarines; a UAE undersea flotilla would also boost the emirates’ surface interdiction capabilities and bolster the nation’s prestige within the GCC. Yet deficiencies in training and manpower would likely limit the effectiveness of newly acquired submarines. The difficulties Iran has experienced in operating its own submarine fleet effectively provide a cautionary lesson for GCC nations that harbor similar aspirations.

While Abu Musa-based Iranian naval units operating with larger Iranian naval and air forces could threaten shipping in the Straits of Hormuz and exact losses on regional or U.S. naval opponents, their success would be short-lived due to the preponderance of U.S. naval strength in the region. Even with its modernization program, any UAE naval force would play a secondary role to the U.S. Navy in a regional conflict. The UAE can, however, contribute significantly in the areas of peacetime patrolling, disruption of asymmetric attempts by others to conduct maritime infiltration along the UAE coastline, and support for combined U.S.-GCC operations. At present the British-trained and equipped Omani navy is the most capable on the Arabian Peninsula, but the UAE’s ongoing modernization program could eventually change that assessment.

GCC Security Pact on Hold

Although a much-touted security pact among the GCC states was ratified in July by UAE president Shaykh Zayed, its implementation has been put on hold due to differences over undisclosed treaty provisions. The UAE joined Kuwait and Qatar in opposing implementation of the agreement. One area of discord apparently concerns individual freedom of movement between countries; this issue is problematic, as large foreign worker populations exist in all six countries. The accord is reportedly meant to strengthen the existing joint security mechanisms – such as the joint ground force, Peninsula Shield – through a pooling of resources and increased cooperation on regional security issues, including intelligence sharing and joint training. As noted in the March 2000 quarterly report, while enhanced cooperation is possible in areas such as airborne early warning and regional air defense, a truly integrated GCC defense is unlikely for the foreseeable future due to ongoing interstate political and economic differences.

The Impact of Israeli-Palestinian Violence on the UAE

As the violence in Israel and the Palestinian territories escalates, the UAE continues to condemn Israeli actions and what it perceives as U.S. unwillingness to pressure the Jewish state. Deputy Prime Minister Shaykh Sultan bin Zayed al-Nuhayyan stated on July 19 that the partnership between regional countries and the United States, as well as American credibility, is jeopardized by Washington’s support of Israel. Such statements are aimed at propping up the eroding image of Arab unity on the Palestinian issue, while deflecting extremist criticism of the UAE government. While sporadic demonstrations in support of the Palestinian cause have occurred in the UAE, mainly in the universities, the regime does not face any imminent threat from either its own population or resident expatriate extremists. Yet, as the UAE-U.S. relationship becomes more intimate as security ties deepen, possibly including U.S. pre-positioning of weaponry at UAE bases, the heretofore stable regime may be subject to popular as well as regional religious and nationalist criticism. The UAE, while serving as a transit point for extremists between the Levant, Arabian Peninsula/Persian Gulf, and South Asia, has not yet suffered from home-grown extremists. However, the likelihood for internal or externally derived rifts would be greater if the UAE economy – and the corresponding ability to maintain the social-welfare system – falters.
Security Issues in the Middle East

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Provided as part of Energy Security Analysis Inc.’s (ESAI) service for the Petroleum Energy Center, Japan
THIS REPORT WAS COMPLETED PRIOR to the September 11 terrorist attacks on the United States. The impact of the attacks and the likely U.S. responses on Middle East politics, and energy security, will be profound. Subsequent quarterlies will focus on these issues and options for preparing broader and deeper analyses will be considered.
Palestinian Politics

Palestinian leader Yasser Arafat is increasingly unable to shape, much less control, the situation on the ground. Any Palestinian Authority (PA) attempt to move against Palestinian secular or religious extremists under current conditions would directly threaten the legitimacy, and survival, of Arafat. Rifts are everywhere, even within the Arafat-dominated Fatah organization. Fatah hardline elements – represented by those who remained to resist the occupation instead of fleeing alongside Arafat to Jordan, Lebanon and then Tunisia – are increasingly frustrated with the so-called Tunisian-, or outsider-, dominated PA. Some postulate that the intifada began in part due to Arafat’s wish to distract attention from the failing PA. Others imply an increased willingness of the various groups to move against Arafat and his cohorts, as they are perceived as achieving little for the Palestinian cause.

The religious groups also have rifts. Hamas is not monolithic, and represents more a loosely coordinated cellular structure throughout Palestine and Israel. Islamic Jihad, although less potent since the death of its founding leader in 1995, is also relatively non-hierarchical. Various splinter movements coalesce for one or a series of operations, and then dissolve back into the larger religious-nationalist current. The Hezbollah model is having an impact upon groups such as Hamas and Jihad, as seen by the debate among Palestinian groups over whether to strike at mainly civilian or military targets. Elements from the religious movements have also reportedly been increasingly using Hezbollah bomb-making techniques and tactics, such as roadside directed mines. Military targeting is seen as being in the interest of the greater Palestinian cause, while hitting civilians is seen as serving both - causing an Israeli overreaction and undermining Arafat’s position in a future intra-Palestinian scramble for power.

As Arafat’s position deteriorates and support shifts away from mainstream Fatah towards extremists, his ability to exert influence over terrorist actors will be increasingly in doubt. Polling data from Bir Zeit University suggest that support for religious extremism – and general anti-Israeli action – has increased substantially. Meanwhile, joint demonstrations held by groups as diverse as Hamas, Islamic Jihad, Fatah, Fatah-Tanzim, and the PFLP indicate the growing willingness – at least temporarily – of secular and religious groups to create a unified front of anti-Israeli resistance.

The Landscape

Gaza remains a center of both Hamas and Fatah activity, while the traditionally more secular West Bank has seen religious movements gaining support. The Israelis have effectively turned Gaza into a large prison. Economic conditions are particularly harsh, with foreign investment all but gone and the professional classes either emigrating or looking to emigrate. Refah, along the Egyptian border, remains a flashpoint. Palestinian youths are routinely involved in incidents of stone throwing against settlers and Israeli military positions. Meanwhile, Palestinian gunmen use existing buildings and rubble from Israeli demolished houses as cover to fire at Israeli positions. Most Israeli victims are actual targets of opportunity at checkpoints or along highways; fire against Israeli posts – largely unaimed or indirect – or settlements causes more fear than casualties.

The West Bank situation is quite different. Unlike Gaza, Palestinian inability to infiltrate and exfiltrate across the 1967 borders into Israel proper is relatively easy. IDF troops manning positions near Ramallah and Nablus have said that military checkpoints serve little counterinsurgency value. Instead, they are designed to put additional pressure on Palestinian leaders while disrupting the flow of local social, political, and economic life. Ramallah serves as a pseudo-Palestinian capital given its proximity to Jerusalem, and is a Fatah/secularist stronghold. The city is a torn community, with local kin-based relationships disrupted by refugee flows and the influx of PA functionaries. Seen as a symbol of the PA, Ramallah has increasingly been targeted by Israel over the last three months. In addition to the use of air and tank strikes, attempted Israeli intrusions into PA territory often results in wildfires with Palestinian police; Ramallah is in Area A, under full PA civil and military control. Funerals for those killed serve as rallying points – and often starting points – for Fatah-Tanzim and Hamas gunmen to initiate wildfires with Israeli settlements ringing the city.

Cities such as Tulkarem, Jenin, Nablus and Hebron maintain both a secular and non-secular
presence, yet are rapidly becoming associated more with the religious factions as the PA loses legitimacy. Unlike Ramallah, these cities are relatively tight-knit communities, perceiving themselves as unbowed despite Israeli – and PA – repression. This defiance is evidenced by the Israeli military’s focus on containing – and targeting activists within – these cities. Bethlehem and its suburbs are other flashpoints. Beit Jala, a mainly Christian community opposite the Israeli settlement of Gilo, was partially reoccupied in mid-August by Israeli armored and infantry units; as of August 30 Israeli forces are reportedly pulling out due to PA willingness to curb anti-Gilo violence. As the village offers the primary Palestinian staging area for attacks – again largely indirect mortar and small-arms fire – it is unlikely that the PA agreement will prevent future incidents. Israeli retaliation from Gilo using both small arms and anti-armor weapons has resulted in the indiscriminate killing of Palestinian civilians, while Palestinian fire seldom results in Israeli casualties. Beit Jala was the scene of the July 18 assassination of four Hamas activists.

Jerusalem has also experienced increased violence. Despite Israeli security measures, the August 9 Sbarro pizzeria bombing occurred while the takeover of the Orient House – seen as central to Palestinian claims in the Holy City the next day further inflamed Jerusalemite Arabs. July 29 attempts to enter the Al-Haram a-Sharif by extremist Jewry resulted in a strong local reaction; Palestinian men and women of all ages joined to resist Israeli encroachment into the Al-Aqsa mosque compound. Yet, such violence has given the Israelis a pretext to impose even harsher security measures on the Old City while preventing worshippers under the age of forty-five from entering the Al-Aqsa mosque.
Gloom, But Not Doom (Yet)

The dreary cycle of tit-for-tat fighting – Palestinian suicide bombings that catalyze Israeli reprisals or, for an occasional change of pace, Israeli preemptive attacks followed by Palestinian retaliation – has shown little sign of giving way to new peace talks. Far from it. Palestinian Authority (PA) chairman Yasser Arafat, his hold on power increasingly tenuous, has been unable, and indeed unwilling, to restrain the swelling influence of militant groups such as Hamas and Islamic Jihad. Never ones to shrink from violence to attain its objectives, the radical fringe has pressed ahead with the terror campaign.

On the Israeli side, Prime Minister Ariel Sharon, while he has paid lip service to a revived peace process, has also refused to bend from his campaign pledge not to negotiate amid Palestinian terrorism. Neither has Sharon exhibited any real appetite for stepping up military pressure by the Israeli Defense Force (IDF), which – contrary to breathless commentary in the Western media – has been kept on a tight leash throughout the intifada. The Palestinians are unable to win the undeclared war for lack of means, and Tel Aviv is unwilling to try using its impressive means to score a knockout victory. The result: continued stalemate in the Holy Land and mounting disgust in the international community.

With good reason, both sides, and many outside observers, have begun to despair of an early end to the fighting. Their solution? To look outside the Levant for help. A staple of Arafat’s strategy is to coax the U.N. Security Council into dispatching a force of international observers in hopes of discouraging an Israeli escalation. His efforts have come to naught because of the threat of a U.S. veto – a veto that is certain to be deployed against any Security Council resolution that seems to blame Israel for the intifada. Washington scuttled the latest draft resolution in late August.

With the Bush administration dithering over the direction of its Middle East policy, Arafat has sought to rally unlikely protagonists to the Palestinian cause. Europe, with its growing and increasingly influential Muslim minorities, is a prime target of Palestinian appeals. In late August, for example, the PA chairman proposed to convene truce talks in the German capital of Berlin, with German foreign minister Joschka Fischer hosting and moderating the talks. While Arafat’s bid for European involvement would come to fruition, new attacks by Islamic militants in Jerusalem stiffened Israeli resistance and throttled the initiative in its infancy. Arafat now has to return to the drawing board if he hopes to use world opinion as a lever against the stubborn Israeli prime minister. At this printing the Palestinian chairman was attempting to broker a condemnation of the Jewish state - and thus to shore up support in the Third World - at a U.N.-sponsored conference on racism.

And what of the American role in mediating the intifada? To date the Bush administration, which came to office hoping to more or less divest itself of the peace process, has exhibited a mushy moral equivalence. Indeed, at times the Bush State Department – headed by Secretary of State Colin Powell, a former military man who should know better – has verged on demanding that Israel refrain from responding to attacks on its citizens by Palestinian militants. For instance, after the suicide bombing of a Sbarro’s pizza parlor, which claimed fifteen Israeli lives and wounded scores of others, the State Department roundly condemned the actions of both sides and called on Israel and the PA to end the “cycle of violence” – as if the intifada were some impersonal force of nature and not the product of human will.

Such an ambivalent position is not only at odds with reality but increasingly untenable for a president who rode into the White House in part on his reputation for moral clarity. Bush’s seemingly perpetual quest to set a “new tone” in politics, however, reflects the habitual American notion – aptly summarized by one commentator as the “let’s-all-get-together-and-be-be-nice school of American diplomacy” – that virtually any dispute can be worked out with the appropriate measure of goodwill and give-and-take. Eleven months of fighting have exposed the folly of this conviction, at least as it applies to current circumstances.

True to his Republican roots, Bush has drifted closer and closer to siding with Israel. And he has evidently reined in the more dovish State Department. The president has perhaps begun to realize that his bipartisan model of politics doesn’t fit the
full-contact politics of the Middle East. After a strong IDF incursion into Hebron in late August, the president declared in his roundabout way that Yasser Arafat could do more to restrain attacks on Jews, and thereby prevent the need for armed Israeli intervention. Five hundred Jews live in Hebron, surrounded by 130,000 Palestinians. Emboldened by the lopsided demographics, and with avenging Israeli forces normally far from the scene, hotheaded Palestinians are likely to take out their frustrations on their outnumbered neighbors. In any case, President Bush’s mild rebuke to Arafat was a far cry from simply denouncing a cycle of violence for which all belligerents were equally responsible.

Yet Bush will have to do more. Although “the United States cannot turn a stone into bread,” as National Security Adviser Condoleezza Rice sensibly noted, the experience of the Clinton administration shows that it is the effort to transform stones into bread – not necessarily a successful outcome – that counts with key Middle East governments. The Clinton team managed to sustain America’s diplomatic capital in the Middle East not by its actual achievements, but by its strenuous exertions in the service of peace. Especially now, when public resentments are prodding the fragile governments in Egypt and Jordan to contemplate forceful action on behalf of the Palestinians, Washington needs to show that it is an honest – and engaged – broker and not simply a blind Israeli partisan.

Wherever the president’s own sympathies may lie, this means applying additional pressure to both sides. That the United States needs to prod Arafat to suppress suicide attacks is obvious. What to do about Israel is less clear. One option outlined in the June quarterly report would be for Washington to browbeat Ariel Sharon into freezing Jewish settlement activity in the West Bank. This would defuse the Palestinian practice of using the settlement policy to justify the continued resort to violence. While the PA has also insisted that Tel Aviv grant the right of return for all Palestinian refugees, the two sides should be able to reach some accommodation on that front. No one really expects Israel either to erect an apartheid state or to commit demographic suicide by admitting a tide of Arabs who would then vote the Jewish state out of existence – the two unpalatable alternatives that would confront Tel Aviv should it meet the PA’s demands on the right of return.

Should the suicide-bombing campaign continue in the wake of such a gesture, President Bush at least would have clarified who bears the guilt for the collapse of the peace process. Unrelenting attacks would also diminish popular support for extremists such as Saddam Hussein who have parleyed Israel’s intransigence into political clout. Few could then fault Ariel Sharon for ratcheting up the military pressure and trying to impose a settlement. In any case, the increasingly dire circumstances prevalent in the region warrant – indeed, demand – a more forceful American approach. To do otherwise will further stoke the ire of Gulf Arab rulers and endanger U.S. policy with respect to Saddam Hussein’s Iraq.

Strategies of Indecision

Neither side stands much chance of winning the war using its present strategy. First, the Palestinians. Yasser Arafat is waging a strange war. Whether from deviousness or political weakness – or some combination of the two – Arafat has periodically taken up the mantle of the peace-loving statesman while simultaneously allowing, indeed seemingly encouraging, the violence against Israeli citizens to rage on. PA spokesmen and official press organs have repeatedly vowed to wipe out the Jewish state. That the Palestinian leader is guilty at least of duplicity, then, is beyond serious question. What is he up to? Arafat realizes that he can never defeat Israel in a head-on battle, wistful talk of “Lebanizing” the intifada notwithstanding. (The allusion is to the IDF’s ignoble retreat from the “security zone” in Lebanon – billed as a great Arab victory over Zionism.)

But the Israeli people will never be as apathetic about the West Bank, where events could pose a mortal threat to their country, as they were about the morally ambiguous occupation of Lebanese territory. So Arafat needs the support of powerful outsiders. There is little point in currying favor with a United States that stands far more aloof than during the Clinton years. To tug at the heartstrings of the wider international community, Arafat is evidently willing to allow conditions to deteriorate even further. Ideal for this purpose, attacks on Israelis spur harsh IDF reprisals that in turn generate sympathy for the plight of ordinary Palestinians. After enough casualties, he reasons, pro-Palestinian – or, at any rate, anti-Israeli – sentiment will grow so powerful that the United Nations will authorize a force of peacekeepers to step in and halt the fighting, presumably along the pre-1967 boundary between Israel and Jordan. This is a desperate gamble.

But the Palestinian leader is of necessity in a gambling mood. It bears repeating that Arafat’s standing with his own citizenry is precarious in the extreme. His approval ratings now hover around 20 percent, giving little reason for confidence. Thus he may have concluded that a speedy resolution of the intifada in the PA’s favor is imperative. The militant groups, then, serve an important purpose. And Arafat undoubtedly fears that a crackdown on Islamic Jihad or Hamas – an entity that provides many social services and thus is more popular than
the PA with many Palestinians – would bring about his political downfall. It is difficult to determine the exact proportions of impotence, expediency, and guile in Arafat’s policy, but a mix of these elements surely propels his political calculations.

Will he succeed? Probably not. First, if history is any guide, the United States will brandish its veto to prevent the U.N. Security Council from approving even a deployment of peacekeepers to the Levant; proposals for a peace-enforcement operation lie in the realm of fantasy. Second, while the European Union might be willing to intervene on its own, its common security and defense policy is too immature to support such an ambitious “out-of-area” undertaking. Third, while some voices in the West have called on NATO to establish a Kosovo-like protectorate in the West Bank and Gaza, such an operation would rely on the approval – not to mention the military capabilities – of the United States. The Bush administration is ambivalent at best, even about America’s traditional mediating role in the conflict. Still less will it assent to bold new ventures involving the use of military force. Plainly, then, Yasser Arafat will be disappointed if he has pinned his hopes on massive Western intervention.

What about the Muslim world? Here the picture is brighter, if that is the appropriate way to describe the prospect of a pan-Arab coalition arrayed against Israel. For his own reasons, Saddam Hussein has already pledged to support the Palestinians and has sought to smuggle arms and commandos into the West Bank. And he has staked his claim to leadership of a jihad against the Jewish state. (Refer to the Iraq chapter of this report for details.) Syria and Jordan, moreover, may have abetted Iraq’s illicit activities on behalf of the PA. Worse still, elements of the Jordanian army sympathetic to Saddam Hussein are reportedly prepared to overthrow the young king, Abdullah – and allow their country to become a jumping-off point for operations against Israel. While the latter is a farfetched scenario, a Jordanian coup would effectively give Iraq and Israel a common border – and radically alter the security equation in the Middle East for the worse.

Clearly, then, political pressure is building in Arab countries adjoining Israel to act in the defense of fellow Arabs. Egypt, plagued with Islamic extremists of its own, has paled with the Bush administration to resume its mediation of the conflict, and thus to mute the discontent that is increasingly common in the “Arab street.” It has even been rumored that Egyptian president Hosni Mubarak is debating whether to order the nation’s Third Army into the Sinai Peninsula, demilitarized in the wake of the Camp David Accord, as a demonstration of solidarity with the PA. The fact that Jordan and Syria, which concluded formal peace treaties, are even contemplating warlike actions against Israel speaks volumes about the perilous state of regional politics. Arafat may yet gain powerful friends abroad.

Next, the Israelis. Lest outsiders be tempted to cast too many aspersions on Arafat’s soulless policy, it should be noted that the status quo also suits Ariel Sharon’s purposes. If the prime minister determines that the PA is complying with his demands for an interval of quiet before new talks, then he will come under intense international pressure to implement the recommendations of the Mitchell report (profiled in the June 2001 quarterly report). A freeze on settlement construction was one of the key findings of the Mitchell Commission – and would be one of the most painful measures for Sharon, beholden to the right-wing parties for the survival of his coalition, to implement. While the prime minister undoubtedly wishes for an end to the intifada, he also does not relish the thought of telling the settlers and their backers that they have to give up what they consider their God-given rights. Barring a truly traumatic event, Sharon will continue to display his unaccustomed restraint.

That means that “targeted assassinations,” or “pinpoint preventive actions against terrorists,” to use the official Israeli phraseology, will remain the centerpiece of IDF strategy. Some forty Palestinians have fallen to Israeli missile attacks, bomb blasts, and other tactics over the past few months. But the Palestinians’ reference to “assassination” is a misnomer - as is, for that matter, Tel Aviv’s characterization of militant activities as “terrorism.” The Israeli armed forces have targeted not Palestinian civil servants but individuals they believe to be responsible for terror attacks – or, giving the nod to preemption, to be plotting suicide attacks. They are combatants engaged in an undeclared war and are arguably fair game for IDF action. These militant Palestinians lose many of their legal protections under the Geneva Conventions by carrying out warlike acts without wearing uniforms or insignia identifying them as combatants. Moreover, by assailing Israeli non-combatants, they are guilty of grave breaches of international law.

But this deceptive use of language is about perceptions, not law. Legal niceties matter little in the war of political symbols. It serves Arab purposes to portray the IDF’s strategy as an assault on innocent Palestinian civilians. Once that premise has been established, Israel’s actions are morally indistinguishable from attacks on Israeli non-combatants – allowing Yasser Arafat to obscure what is really happening. Unwilling to reveal its intelligence sources and methods, Tel Aviv has little way to defend its actions. Nonetheless, it is a useful exercise to
assess the *intifada* as a legal state of war and thereby restore some meaning to the terminology deployed by the antagonists. War, a violent extension of non-violent political combat, often turns on who wins the war of words. That is doubly true in the strange conditions characteristic of the Arab-Israeli conflict.

The impasse, in any case, seems certain to drag on. What will happen? As always in the byzantine milieu of Middle East politics, there are numerous possibilities, all of which shade into one another. First, the status quo could persist. The PA will certainly be unable to defeat Israel militarily, while temperate action by Prime Minister Sharon could keep Israeli public opinion at a slow boil. The situation would nonetheless become increasingly unstable should Arab opinion continue to swing in favor of aggressive action, and should the United States and the U.N. remain on the sidelines. The status quo seems tenable for the short term, but the *intifada* will not simply vanish because a Palestinian military victory is improbable. Quite the opposite. At some point, then, more forceful action is likely.

Second, Prime Minister Sharon could tire of the bloodletting or, more likely, be compelled by circumstances to escalate the use of force. A brief, high-intensity campaign could decapitate the Palestinian Authority, damage the militant groups, and leave Tel Aviv in a commanding position to dictate peace terms. In a variant of this scenario, some commentators in the West have urged Israel to construct a wall along the border with the West Bank in order to stem the terrorist bombing campaign. This latter-day “Maginot Line,” to borrow the derisive – and historically dubious – term used by its detractors, would block the movement of suicide bombers into Israel, just as the wall between Israel and Gaza supposedly inhibits terrorism.

But physically separating the two peoples would cut both ways. Sharon’s advisers will probably conclude that erecting a wall would also bar Israeli efforts to thwart a Palestinian arms buildup, strike against militant groups, and otherwise influence events in the West Bank. And building its own version of the Berlin Wall - another unsavory, and more apt, historical analogy - would hardly burnish Israel’s international image. Not an appealing prospect - especially since the Jewish state would be cast in the role of totalitarian East Germany, and Sharon as dictator Walter Ulbricht.

Third, back-channel efforts to build ties between ordinary Palestinians and Israelis could produce a breakthrough. The theory behind this “Track II” diplomacy – an unproven theory, to be sure – is that cultural exchanges put a human face on the enemy and mute constituency pressures for vengeance. Indeed, the now-defunct Oslo process had its origins in unofficial diplomacy. By July 2001 aspiring peacemakers, mostly clergy and nongovernmental organizations, had shepherded through a largely symbolic “cultural peace treaty” between Israel and the Palestinians. Scheduled for a signing ceremony in Washington, this gesture of goodwill was, alas, throttled by new suicide attacks and the inevitable Israeli ripostes. This well-intentioned but highly unorthodox brand of diplomacy could ultimately translate into relaxed tensions and concrete political results. But don’t bet on it.

**Conclusions**

So the outlook for peace in the Middle East is as muddy as ever. The Palestinians are unable to win the undeclared war, and the Israelis are reluctant to take the necessary measures to effect a military solution of their own. For its part, the lethargic Bush administration is belatedly – and hesitantly – gravitating towards a more active role in the *intifada*. Washington is coming to realize that its difﬁdence will not spare it the political fallout of a prolonged clash. Indeed, with Saddam Hussein up to his usual skullduggery and the Arab street thirsting to take revenge on Israel, there is at least a small possibility of a wider regional war. That would be a disastrous turn of events for the Bush administration’s policy in the Gulf, where the support of Arab regimes is crucial. The safest bet is that the United States will redouble its efforts to restore calm in the Levant in an attempt to halt the drift of Egyptians, Jordanians, and Syrians towards violent intervention in the *intifada*. But the American fumbling of the past few months gives little reason for confidence.
Saddam Rattles His Cage, with Uneven Results

It was a frustrating three months, both for Iraqi president Saddam Hussein and for his tormentors in the West. In early July, the joint American-British bid to veto in exchange for a rumored $21 billion in new was in place. In effect this would have killed the wrangling over the composition of the dual-use list, but a tailored - “smart” - prohibition on arms and dual-use items foundered when debate in the Security Council bogged down over the list of banned dual-use items. (Refer to the June quarterly report for details on the U.S.-U.K. draft resolution.) At one point it appeared that all of the permanent five members of the Security Council had accepted the principle of smart sanctions. Even France had warmed to the idea, at the risk of provoking the ire of Iraq, a major trade partner. After prolonged wrangling over the composition of the dual-use list, however, Russia scuttled the negotiations by demanding a more lenient arrangement than was acceptable to the United States and Great Britain.

A variety of other objections also contributed to the proposal’s demise. Opponents of the resolution pointed out that its ambiguous wording would empower the U.N. to maintain stringent controls on Iraqi trade and finance - throttling urgently needed development efforts. Consequently, India and Malaysia, rotating members of the Security Council, bluntly called for an end to the sanctions. Moscow tabled a competing resolution that would have resurrected the original 1991 ceasefire arrangement, under which the sanctions would be lifted once a weapons monitoring and verification system was in place. In effect this would have killed the sanctions altogether, since Iraq has refused to readmit international weapons inspectors. Perennially desperate for cash, Moscow apparently bartered its veto in exchange for a rumored $21 billion in new Iraqi contracts for Russian firms. It also hopes to recoup some $8 billion in Iraqi debt, mostly left over from arms purchases during the Soviet era. Faced with a Russian rebuke, the Bush administration decided to drop its proposal.

Thus the existing set of sanctions will remain in place, and the stalemate between Iraq and the West will continue as well. The outcome was, by and large, satisfactory for Saddam Hussein. By engineering a Russian veto, Baghdad parried Washington’s attempt to shift the blame for Iraq’s humanitarian catastrophe to Hussein himself. While the oil-for-food program is onerous, moreover, it at least has the virtues of being familiar - and leaky. Closing the loopholes that allowed Saddam Hussein to reap some $3 billion in kickbacks and smuggling revenue last year - cash that flowed directly into Hussein’s coffers and could fund illicit weapons programs - was the main impetus behind the U.S.-U.K. sanctions plan. The smuggling revenue also came in handy in Iraq’s campaign to beat the sanctions. It is surely no coincidence that Iraq’s neighbors - Jordan, Syria, and Turkey - have become more and more pliant as Iraq lured them with the prospect of trade and cheap oil.

In a parallel effort, Hussein has stepped up his claims to leadership of the Arab world. It would be difficult to find a more improbable claimant to the mantle of Saladin, the great Kurdish general who defeated the European Crusaders, than Saddam Hussein. Still, the Iraqi dictator has sought - albeit with decidedly mixed success - to curry favor with ordinary citizens and generate political pressure on the Gulf regimes. But why would Saddam Hussein want to meddle in the intifada? Not out of altruism or fraternal solidarity - else he would have declared a jihad months ago. Rather, Baghdad hopes to link events in the Levant with those in the Persian Gulf. By asserting leadership in the battle against Israel, and hopefully uniting the Arab world behind Iraq, Hussein hopes to throw off the onerous U.N. sanctions once and for all. The Bush administration, contrariwise, is strenuously seeking to maintain a firewall between affairs in the Holy Land and the Gulf.

Hussein has pursued a dual strategy on the intifada. First, he has exhorted Arabs to launch additional suicide attacks on Israel. In August, while commemorating the thirty-third anniversary of the coup that brought the ruling Baath Party to power, Hussein called on Arabs throughout the Middle East to right the “intolerable injustice” inflicted by Israel on the beleaguered Palestinians. How? One editorial by a Baghdad news outlet dubbed the Iraqi tyrant’s strategy “martyrdom operations” designed to counter the malign influence of America’s “Black House.” While pro-Iraqi sentiments are increasingly widespread, however, especially in the West Bank and Gaza, there is little indication that Hussein’s strategy of uniting the Arab world behind him - and, in the process, escaping the U.N. sanctions that have fet-
tered his ambitions for a decade - will meet with concrete success.

But the Iraqi tyrant didn’t stop at sowing subversion among youthful Arabs. Indeed, Hussein has repeatedly threatened direct armed intervention on behalf of the Palestinian Authority. Such a strategy would, for geographic reasons, require Iraqi forces to establish footholds in Jordan or Syria. Reports of Iraqi commandos operating in Syria have emanated from the region in recent weeks, lending credence to what might otherwise - considering the source - be discounted. Complicating matters, rumors aplenty indicated that Iraqi forces were massing in the north for an offensive against the Iraqi Kurds. While the attack on the Kurds never transpired, Iraqi units on the northern frontier would have been ideally positioned to cross into Syria or Jordan.

Consequently, the United States has taken Saddam Hussein’s blustering and frequent rhetoric over the comical and might normally be dismissed as mere bluster. However, American intelligence agencies have expressed concerns about apparent Iraqi activity in the West Bank and Gaza - potentially substantiating Hussein’s public speeches. In fact, Baghdad is reportedly attempting to smuggle commandos and small arms into PA-administered areas. Additional manpower and munitions, needless to say, could further inflame an already bad situation in the West Bank and Israel.

Accordingly, U.S. forces have stepped up their aerial surveillance to monitor the movements of Iraqi forces. Baghdad returned the favor by unleashing improved surface-to-air missiles (SAMs) against the relatively slow-moving reconnaissance aircraft, which make easier targets than the highly maneuverable fighters that usually patrol Iraqi skies. (The ability to make sudden, radical turns is the key to surviving guided-missile attacks.) And, in another departure from long-standing practice, Iraqi SAM batteries engaged coalition aircraft operating outside Iraqi airspace. In late July, they fired on a U.S. Navy E-2C airborne-early-warning plane orbiting over Kuwait, a U-2 reconnaissance plane monitoring the southern no-fly zone, and an AWACS aircraft aloft over northern Saudi Arabia. The U-2 incident was particularly worrisome for the United States, since it indicated that the Iraqi military had managed to boost its missiles’ threat envelope - the range and altitude at which surface-to-air missiles can engage enemy aircraft. The U-2 generally cruises at 70,000 feet, an altitude until now thought to be immune to Iraqi air defenses.

A subsequent violation of Syrian airspace by a U.S. Air Force F-16 fighter - evidently on a reconnaissance mission, though the Pentagon claimed the infringement was accidental - betokened the anxieties of the Bush administration about potential Iraqi intrigues. After leaving Incirlik, the main coalition airfield in Turkey, the fighter traversed some 200 miles of Syrian airspace before entering Iraqi airspace, where it was supposedly scheduled to patrol the northern no-fly zone. But coalition aircraft usually operate in packs, not alone, in the no-fly zones - one reason for doubting the Pentagon’s explanation. In all likelihood the F-16 flight was a covert attempt to determine whether Iraqi special forces had established a presence in Syria consonant with recent reports, Iraq’s stated desire to make trouble for Israel, and the recent warming of ties between Damascus and Baghdad. At this juncture it remains unclear whether Iraq has directly intervened in the intifada.

Aside from discouraging American inquisitiveness about his pro-Palestinian activities, Saddam Hussein continues to hope to down a Western aircraft. This of course is a perennial theme in Iraqi strategy. Should Iraqi gunners score a lucky hit, Baghdad will exploit the captured pilot for propaganda purposes - and, hopefully, pressure the West to end the sanctions. He underestimates his enemies. The coalition did not buckle to similar pressure during the Gulf War, when Hussein paraded his Western hostages on television and used them as human shields. If anything, his hamhandedness encouraged the coalition to redouble its efforts to oust the Iraqi army from Kuwait. Though often wily, then, the Iraqi dictator has something of a political tin ear. And the Bush administration would become an instant laughingstock at home if it gave in to blackmail after trumpeting its toughness on Iraq. If anything, the administration would use a hostage situation to justify launching the controversial “regime change” policy to which it has - until now, at least - paid mere lip service.

**Bilateral Ties That Bind**

Baghdad pressed ahead with its effort to cultivate ties with its neighbors, whose goodwill is crucial to its bid to break the U.N. sanctions. Most ominously, for reasons elaborated above, Iraqi vice president Taha Yasin Ramadan and Syrian prime minister Mustafa Miru recently signed a series of agreements further expanding bilateral relations between the two countries, which were estranged for years after Damascus sided with the Desert Storm coalition. By improving ties in pharmaceutics, industry, and telecommunications, the two governments hope to double their bilateral trade to $1 billion annually. Additionally, continuing Iraq’s bid for leadership of an pan-Arab coalition, Ramadan pledged to support the Syrians “in all fields, including military,” should war break out between Syria and Israel. Speaking
for Damascus, Miru vowed to oppose “all hostile pressures and moves against Iraq and attempts to interfere in its internal affairs.”

Signaling a relaxation of tensions between Iraq and another nemesis, Turkey, a Turkish freight train traveled to Iraq for the first time in twenty years. Iraq, Syria, and Turkey reached an agreement in July under which the Turks and Eastern European countries will ship an assortment of goods to Iraq and resume offering scheduled passenger service to Baghdad. Further afield, Saddam Hussein received Tariq Ikram, a high-ranking Pakistani official and personal envoy from Pakistani president Pervez Musharraf. The two countries pledged to enhance cooperation on uncontroversial matters such as science and technology. Baghdad has reportedly sounded out Karachi about assistance in oil exploration and upgrades to Iraq’s dilapidated oil infrastructure. Meanwhile, state-owned Royal Jordanian Airlines announced that it would increase the number of flights to Baghdad, arguing that improved economic ties demanded the increase in scheduled air traffic.

Finally, France, one of the permanent five members of the U.N. Security Council, undertook a variety of initiatives designed to restore normal economic ties with Iraq. CMA CGM, the leading French shipping company, opened a direct maritime route to the Iraqi port of Umm Qasr. While the company’s representative in Baghdad claimed that this was an effort to break the naval embargo, the reality is something less. A memorandum of understanding among Iraq’s trading partners, including France, requires them to comply with the U.N. sanctions. While Iraqi officials made noises about canceling French contracts in response to the stance of Paris on the smart sanctions, the reality is that France heads the list of countries that have resumed commercial links with Iraq.

Taken individually, these developments would not be so worrisome. But together they represent an energetic - and increasingly successful - effort by Saddam Hussein’s Iraq to escape the international sanctions that have kept it in the box for over a decade.

A Change in Regimes? Not

Pursuant to its policy of regime change, the Bush administration has continued the Clinton administration’s toothless effort to sow unrest in Iraq. In mid-June, representatives of the Iraq National Congress, the expatriate resistance group based in New York, met with a series of American officials, including President Bush, Deputy Secretary of Defense Paul Wolfowitz - a vocal proponent of overthrowing Saddam Hussein - and several members of Congress. The INC leaders emphasized “the importance of operating inside Iraq as the main arena for the opposition’s activity.” The Pentagon reportedly reassured the delegation that it would not allow Baghdad to use the airspace comprising the no-fly zones to carry out attacks on the Kurds or Iraq’s neighbors.

In the wake of their Washington trip, INC spokesmen professed confidence that the Bush administration would soon erect a mechanism for continuous support of opposition activities. Fat chance. There is little indication that the internecine feuding within the administration on Iraq strategy has produced in a consensus on how to displace Saddam Hussein’s regime. And there is little evidence of a groundswell of political support on Capitol Hill for boosting financial support to the INC, which after all is the umbrella for a disjointed assortment of groups with no meaningful combat capability. If the administration hopes to overthrow Hussein, it will have to turn elsewhere for allies.

Meanwhile, signs of sporadic unrest unconnected to the INC continued to filter out of Iraq. In early August, for example, the Iranian-backed Supreme Council for the Islamic Revolution in Iraq (SCIRI) reported that Islamic resistance fighters had attacked a military intelligence site north of Baghdad, killing two guards and wounding two other individuals. Qusay Hussein, chief of the Special Security Service, deputy chief of the Baath Party’s Military Bureau, and President Hussein’s son, launched an investigation into the missile attack. In short order Qusay had a fellow investigator, Staff Major General Said Ibrahim, arrested on grounds that the general was in contact with Iraqi resistance groups.

Despite the indications of anxiety within Saddam Hussein’s government, U.S. officials should not take too much comfort from the actions of the mujaheddin; a SCIRI spokesmen told the press that the attacks were not only a warning to Baghdad, but “was also intended to carry a message to the forces of the world arrogance” - read Americans - “that the Iraqi mujaheddin are ready at all times to resort to any action to get rid of the foreign domination in Iraq and they are endeavoring to protect Iraq’s territorial integrity and to establish an Islamic government there.” The emergence of another Iran is not what the Bush administration has in mind for the Persian Gulf.

Reports in the Persian Gulf media asserted that two field-grade Iraqi officers had been executed for maintaining contacts with the opposition, and that two lawyers had been sentenced to death for distributing leaflets designed to “polarize” public opinion against Saddam Hussein’s regime. Meanwhile, security forces from the Kurdistan regional government, based in northern Iraq, intercepted an automobile
packed with explosives. According to Al-Zaman, a London-based Arabic-language daily, the confiscated vehicle was bound for the U.N. headquarters in Irbil, evidently for a suicide attack at Baghdad’s behest.

These developments represent little more than annoyances to Saddam Hussein. One can always hold out hope of a coup perpetrated from within the Iraqi military. But there is vanishingly little evidence that SCIRI or the INC will bring down the existing regime. Hussein maintains his hammer lock on the country.

Oil: Iraq’s Lifeline

Oil exports are both the mainstay of the Iraqi economy and a bargaining chip Baghdad can use to undercut the sanctions. The Iraqi oil minister, Amir Muhammad Rashid, recently proclaimed that domestic firms had managed to produce some $250 million worth of hardware to repair and upgrade the nation’s oil and gas facilities. Iraqi companies now manufacture piping and electrical transformers, among other items. While Iraq’s oil industry has little hope of becoming truly self-sufficient, improved manufacturing capabilities allow Baghdad to evade the Western veto over certain dual-use items and thereby blunt the impact of the oil-for-food program.

The oil minister also declared that Iraq’s proven oil reserves now total 112 billion barrels, while Baghdad has plausibly estimated the nation’s total reserves at an astonishing 214 billion barrels. In view of these totals, the oil minister predicted that Iraq would be able to boost production to 6 million barrels per day once it rehabilitated and developed additional oil fields. Illicit fees and kickbacks stemming from oil smuggling will increase commensurately, enriching the Iraqi dictator - and allowing him to finance his weapons programs, not to mention his breakout from the international sanctions.

Finally, Rashid announced that his government had finalized plans for the much-debated natural-gas pipeline into Turkey. The Iraqis will initially supply Turkish customers with 11 million cubic meters of gas annually, with the option of increasing that quantity. The 1,300-kilometer-long pipeline will eventually terminate at Turkey’s Mediterranean ports, enhancing the prospects of additional export revenue for Baghdad.

Down, But Not Out: Iraqi WMD Programs

While its dilapidated conventional military, mauled during Desert Storm, remains a shadow of its former self, Iraq has reportedly made tremendous strides towards rejuvenating its unconventional programs. The nation has had well over two years to conduct research since December 1998, when Saddam Hussein evicted inspectors from the U.N. Special Commission (UNSCOM) and triggered the Desert Fox bombing campaign. Baghdad has intensified its efforts to acquire the technology and materials needed to manufacture chemical, biological, and, potentially, nuclear weaponry. The new weapons under development would be in addition to an estimated 6,000 chemical munitions already in the Iraqi inventory. German intelligence recently confirmed that Baghdad has stepped up its attempts to purchase chemical-warfare precursors, while the U.S. Central Intelligence Agency reported that Iraq was repairing dual-use equipment that could be used to build unconventional arms.

And they have the ability to deliver these warheads. Deputy Prime Minister Tariq Aziz boasted last January that Iraq, which maintains a force of short-range ballistic missiles with ranges up to 150 kilometers, would be able to multiply the range of its missiles several times over. A high-level Iraqi defector has stated that Iraq maintains an inventory of some forty SCUD-type ballistic missiles that boast longer ranges. The country has reportedly obtained the hardware needed to manufacture elements of solid rocket fuel from a front company in India. A plant has been built at Al-Mamoun to produce ammonium perchlorate, one of the key compounds needed for solid propellant. The German intelligence service estimated that Iraq would field a solid-fueled missile, boasting a range of 3,000 kilometers, as early as 2005. The German report added that an Iraqi nuclear weapon could be in service in three to five years.

As indicated in previous quarterly reports, weapons of mass destruction are a relatively inexpensive and highly lethal tool for rebuilding Iraq’s claims to regional power status. While international sanctions have decimated the nation’s economy and inhibited its access to the building blocks for unconventional weaponry, the reports now emanating from Western capitals, as well as Iraqi eyewitnesses, confirm that - in the absence of international solidarity - Saddam Hussein will, in time, be able to lay his hands on whatever he needs to resurrect his unconventional arsenal.

Conclusions

Will Saddam Hussein break out of the U.N. sanctions? Perhaps; but not in dramatic fashion. His effort to unite the Arab world under the Iraqi banner will almost certainly fail. However, Baghdad’s attempts to mend fences with Jordan, Syria, and Turkey - the bordering states whose support is decisive to the embargo - are now bearing fruit.
Securing revenues unmonitored by the oil-for-food program is the key to Iraq’s fortunes. With the influx of cash from smuggling and illicit fees - certain to continue after the downfall of smart sanctions - the Iraqi leader will be able, as before, to fund research on his unconventional arsenal. And cheap oil and the Iraqi market have proved to be powerful inducements to restore economic ties severed by the Gulf War. Using the economic lever, then, Saddam Hussein has started a cycle that is likely to lead to the revival of Iraq as a power broker in the Gulf region. While Iraq poses little threat to energy security over the near term, then, the picture could be markedly different five years hence.
Security Issues and Saudi Arabia

Whither U.S.-Saudi Ties?

A widening gulf between Saudi Arabia and the United States over an array of regional and security policies has become increasingly visible in recent months. First, Washington’s perceived pro-Israel bias in the ongoing Israeli-Palestinian confrontation continued to deeply trouble and anger the Saudis. As noted in the June 2001 quarterly, Crown Prince Abdullah reportedly turned down an invitation to the White House in an uncharacteristic rebuff to signal his displeasure. In early June, King Fahd chimed in, urging the United States to restrain Israel. The Saudi cabinet later called on the international community to pressure Tel Aviv into ending its aggression. In the meantime, the crown prince visited Germany and urged Berlin (and the European Union) to play a more prominent role in resolving the conflict. He cautioned dramatically, “We are all sitting on a powder keg which can explode at anytime...such a war would not only affect the Israelis and the Arabs, but many parts of the world.” He also promised that, “every drop of Arab blood that has been spilled on our Arab land will be paid by those who spilled it.” His visit coincided with a growing European interest in halting the violence in the region.

In an interview with the Financial Times, Abdullah warned that a failure to end the cycle of violence could spur terrorism globally and ignite a regional war in the Middle East. He again urged the United States and Europe to intervene more forcefully. In late June, as a part of a regular consultation process between Saudi Arabia and the United States, Secretary of State Colin Powell met with the crown prince in Paris to discuss the conflict. Abdullah conveyed a pessimistic assessment of the Israeli-Palestinian conflagration, asserting that “the Israelis have turned their backs on peace.” The Saudi press was quick to celebrate Abdullah’s hardening position, further boosting his growing popularity in the kingdom. One observer praised the crown prince’s courage to break “the wall of fear from America.” Another analyst justified the crown prince’s stance, stating, “This fiery language is necessary and truly reflects the anger and awareness of the responsibilities on Saudi Arabia as the birthplace of Islam and as a regional heavyweight.” According to the Washington Post, some leaders in Riyadh apparently threatened to scuttle business relations with American defense contractors that provided weaponry to Israel. As Israel steps up its attacks and extra-judicial killings - regarded as assassinations in Muslim circles - Saudi pressure on Washington will almost certainly increase in the coming months.

Second, the American indictment of thirteen Saudi Arabians in connection with the 1996 Al-Khobar bombing, which killed nineteen U.S. servicemen, further strained bilateral ties. The indictment, issued on June 21, stated that the suspects were members of an Iranian-backed Islamic group called the Saudi Hizbollah. It noted that, since 1993, they had received training in Syria, Iran, and Lebanon to eliminate the U.S. presence on Saudi soil. The indictment accused the suspects of murder, attempted murder, and conspiracy to use weapons of mass destruction. The authorities in Riyadh viewed the U.S. legal action as an infringement of the kingdom’s sovereignty and interference in the recent Saudi-Iranian rapprochement. Indeed, the indictments provoked anger at the highest levels of government. Prince Sultan, the kingdom’s defense minister, criticized the United States in unusually harsh terms. He insisted that the bombing concerned Riyadh alone and that the United States had no right to launch legal proceedings for crimes that occurred on Saudi soil. Interior Minister Prince Nayef, who led the Saudi investigation, was even more forceful in his public statements. He asserted, “We have nothing whatsoever to do with the U.S. court, and we are not concerned with what has been said or what is going to be decided by the U.S.” He emphatically ruled out any possibility of extraditing other suspects held in Saudi Arabia, stating, “No. Never. Impossible.” In an interview, he added that any trial “must take place before Saudi judicial authorities and our position on this question will not change. No other country has the right to investigate any crimes that occur on Saudi soil.” These reactions reflected deep Saudi displeasure with the United States.

A commentary in the government-run Al-Riyadh hinted at a larger conspiracy: “The aim [of the indictments] could be related to the political circumstances in the region, where America wants to...
have a monopoly over finding solutions or [creating] complexities...There is no logic involving Iran...unless the reason is that America is not happy with the [Saudi-Iranian] rapprochement and the creation of a relationship based on trust and political and commercial exchange.” The newspaper and the government viewed the indictment, which linked Iran to the terrorism, as a deliberate American tactic to undermine improved ties between Riyadh and Tehran. A senior policy analyst in the region observed, “I think that the Saudis now feel that a close neighbor is more important for their internal security than an ally who is far away.” Whether such sentiments are widely shared is unknown. Nevertheless, this political fallout suggests that a more complex geostrategic dimension in U.S.-Saudi bilateral ties will likely emerge as Riyadh and Tehran forge closer ties.

Third, recent American military actions in the Gulf may have reinforced the kingdom’s already-declining confidence in U.S. security commitments in the region. In late May, a U.S. federal jury in New York convicted four men - who were allegedly acting under the orders of Osama bin Laden - for their involvement in the 1998 bombings of U.S. embassies in Africa. Security concerns combined with “credible” intelligence information heightened fears that bin Laden supporters might conduct terrorist reprisal attacks against American forces and citizens in the Gulf region after the convictions. As a result, the U.S. Central Command placed its military forces in the Gulf region - Bahrain, Qatar, and Saudi Arabia - on high alert. Most of the U.S. Navy’s Fifth Fleet based in Bahrain put out to sea as a precautionary measure. While prudent, this action prompted some sharp criticism and ridicule in the American press. One commentator noted that the apparent withdrawal only served to confirm American impotence in the face of the terrorist threat, which would in turn buoy a potential adversary’s confidence. Moreover, it further underscored perceptions of Washington’s unwillingness to risk casualties. The Saudis and other moderate Arab regimes no doubt shared similar sentiments. Indeed, in an unrelated interview, Prince Sultan rejected the idea that the foreign forces would remain for the long term to protect the Gulf.

How will these contentious issues impact U.S.-Saudi relations? Saudi perceptions of America’s pro-Israel bias have been analyzed in-depth in the past two quarterlies and do not require further elaboration here. It is sufficient to note that Riyadh does hold Washington responsible for the enduring violence and that further deterioration of the situation would no doubt poison long-term bilateral ties. The more interesting aspects of the recent strains in the relationship relates to the two latter points, both pertaining to terrorism. Saudi Arabia’s vehement reaction to the American indictments against Saudi suspects highlights a fundamental rift in the treatment of terrorism between the two governments. The kingdom’s secretive investigation and general non-cooperation with American authorities in the immediate aftermath of the Khobar Towers bombing was an early indicator of things to come. Riyadh’s stance on terrorism goes beyond concerns over sovereignty and ties with Iran. The regime is primarily worried about the internal implications of an open investigation. As the indictments indicated, there were indeed citizens in the kingdom who wanted to undermine Saudi-American ties and were opposed to the royal family’s policies. Such a revelation was highly embarrassing to a regime that places a premium on internal stability and uniformity of domestic opinion. In other words, Riyadh would have much preferred to sweep the terrorist incident under the rug. Washington’s apparent failure to notify Saudi authorities about the indictments no doubt further irritated the regime.

America’s hurried withdrawal from the Gulf ports after the conviction of Islamists involved in the African embassy bombings underscores a different problem in the relationship. As indicated in previous quarterlies, the United States military as currently configured is ill-suited to cope with low-intensity threats that are diffuse and persistent. Should future threats of terrorism continue to elicit such a “cowardly” response, adversaries around the world would likely be emboldened to resort to terrorism, both to inflict real pain and to earn propaganda points by highlighting American weakness. Such a trend would further undermine the confidence among the various Gulf Arab regimes in America’s security umbrella. America’s inability to cope with terrorism - especially if future attempts are successful - will figure more prominently in their deliberations over extending the U.S. military presence. The incentives to retain American forces will likely erode as the prospects for a major conventional war in the Middle East fades, which was reflected in the Pentagon’s recent shift away from the two-war strategy (see the June 2001 issue). America’s military presence, a constant source of irritation, could then become increasingly irrelevant in the eyes of Gulf states. For example, American forces on Saudi soil would become harder for the regime to justify to its people, especially if the no-fly zones over Iraq collapses or ends.

While these pressures - the Israeli-Palestinian conflict and terrorism - on Saudi-U.S. relations are no doubt increasing, the complexity of the relationship ensures that bilateral ties will not rupture irrepa-
rably. The benefits of closer ties with Washington counterbalance many of the kingdom’s discontents. In particular, the Saudi regime cannot ignore the economic dimension of the relationship. The success of the kingdom’s economic liberalization policies and its recent bid to join the World Trade Organization will largely depend on American goodwill and assistance. Much of Saudi Arabia’s vast oil industry operates on U.S. technology and expertise, with thousands of American expatriates residing in the kingdom. More recently, the Saudi government approved the participation of American oil giant, ExxonMobil, and other oil firms in a major gas development project worth $15 billion. As Abdullah’s reforms expand further, economic incentives will no doubt bind the states closer together.

More importantly, Crown Prince Abdullah, who runs the day-to-day affairs of the kingdom, is a pragmatist rather than an ideologue. In the case of his rhetoric over Israel, an analyst on the region explained, “As a true pan-Arab champion, he cannot swallow the fact that Israel is humiliating the Arabs. However, he is a realist who will not act irrationally, such as reviving the oil weapon that has become a double-edged sword.” Moreover, Abdullah must respond vigorously to Tel Aviv’s actions, at least publicly, in order to dampen the potential for social unrest in a country suffering from 25-30 percent unemployment, particularly among the restless youth. In the case of terrorism, both governments share a common interest in defeating the threat. Terrorism strikes at the very heart of internal stability and regime survival, both constant obsessions of the royal family. The United States, which relies on criminal justice based on democratic principles, and Saudi Arabia, which wields the brute force of authoritarianism, are fundamentally at odds over the form and tactics for countering terrorism. But both sides also recognize this difference is a reality that will not change. In the security realm, the kingdom is still deeply suspicious of its neighbors (Iraq and Iran) and would prefer the United States to hedge against the resurgence of these two powerful potential adversaries. The crown prince will continue to contend with these competing demands and engage in a tough balancing act to secure the national interests of the kingdom and the regime’s survival.

Tensions Rise between Saudi Arabia and Iraq

As Iraq’s intransigence has increased in recent months, Saudi - and broader Arab - relations with Baghdad have deteriorated. In early June, Iraq threatened to cut off oil exports in an effort to topple a new U.S.-British proposal to amend the U.N. sanctions regime. The foreign ministers of the Gulf Cooperation Council (GCC) issued a joint statement that urged Iraq to engage with the United Nations to demonstrate good faith. The document demanded that Baghdad cooperate with the United Nations on weapons-of-mass-destruction issues and condemned recent Iraqi threats against its neighbors. It is clear that while regional sympathy for Iraq and willingness to lift sanctions may have increased, the Gulf Arab states remain unified, probably under the aegis of Riyadh, in containing a potential military threat. As the impasse over the sanctions regime continued, Baghdad continued to blast the kingdom rhetorically for its support of allied air sorties over the no-fly zones.

In a major escalation, Iraq launched a series of cross-border raids into Saudi Arabia, beginning in mid-March, that reportedly injured Saudi soldiers on patrol. In May, an Iraqi soldier was apparently killed in a border skirmish. For months, the kingdom remained silent and the world was oblivious to the incidents. As discussions of relaxing the sanctions intensified, the Saudis lodged a well-timed complaint to the United Nations in early June, charging the Iraqis with conducting at least eleven intrusions. Saudi forces then seized an Iraqi oil pipeline, now in disrepair, that the kingdom had permitted Baghdad to build on its territory more than a decade ago. The pipeline, which was disconnected by the Saudis after Iraq’s invasion of Kuwait, had the capacity to pump 1.6 million barrels of oil per day to Red Sea oil terminals.

Riyadh justified its actions on the grounds that Iraq’s ongoing aggressive behavior had “destroyed any rationale for maintaining the facilities.” The kingdom also warned of “grave consequences” if Iraq failed to cease its actions. Iraq in turn accused Saudi Arabia of an “illegal act of sequestration” and vowed to “take the necessary measures to safeguard its own property.” While Saudi authorities hinted that the kingdom might convert the pipeline to carry gas, the government has yet to take any substantive action. In sum, Riyadh’s abrupt revelation of Iraqi raids, made in the highly public arena of the U.N., and the subsequent confiscation of the pipeline were largely intended as a political message.

The sporadic shootings have continued. In late June, Saudi border guards killed an Iraqi soldier who reportedly infiltrated the kingdom. Iraq denied the incident, insisting that the soldier was shot in Iraqi territory and dragged across the border. Baghdad further accused Riyadh of deliberately heightening tensions in order to help push through the “smart sanctions” in the U.N. In late August, the Iraqi News Agency reported that a group of armed
Saudis had penetrated into Iraq. It claimed that the border guards engaged the intruders and killed one of them.

It remains uncertain which side instigated the tit-for-tat cross-border exchanges. While the motives for the clashes are equally unclear, these occasional flare-ups are likely an Iraqi maneuver to achieve short-term political objectives. Baghdad may have hoped to demonstrate its displeasure at the kingdom’s apparent willingness to keep Iraq contained. The incidents also provided an additional public relations vehicle to highlight the kingdom’s complicity in allied air operations. Saddam Hussein’s gambit predictably backfired. The Saudis were able to capitalize on these raids to demonstrate the Iraqi threat and slow the growing momentum toward easing the sanctions. The kingdom will surely rely on similar strategies to discredit the Iraqi regime in the future. Iraq’s unpredictable behavior has reinforced Saudi perceptions that Baghdad cannot be trusted. So long as Iraq’s unbending position persists, the kingdom will use its clout to defer any efforts to bring Iraq back into the Arab fold. It is important to note that these incidents appear to be minor and do not suggest any major military escalation. A genuinely threatening movement of Iraqi forces would have been easily detected by the watchful allied patrols over the no-fly zones. American air power and other military assets in the region would deter Saddam Hussein from entertaining any significant scale of aggression.
The More Things Change...

Iranian president Muhammad Khatami scored a triumph of impressive proportions in the June 2001 elections, garnering upwards of three-quarters of the ballots. Yet, despite the popular euphoria that accompanied his reelection, it was not immediately apparent that Khatami and his backers in the Majlis (parliament) would be able to translate 2nd Khordad’s recent success at the ballot box into real political gains. In fact, their chances are bleak. The president’s hardline opponents continue to control the institutions that are the wellspring of power in the Islamic Republic – the army, the security services, the judiciary, and influential quasi-judicial organs such as the Guardians Council. Their string of electoral victories notwithstanding, the liberals have been unable to erode conservative domination of these all-important bodies. How they can enact their liberalizing program without making headway in these areas remains unclear.

That suits the conservatives just fine. The elections lent an air of republican virtue to their domination of Iranian politics, which remains effectively unchallenged. Indeed, the dinosaurs even managed to hold up Khatami’s inauguration until they exacted a series of concessions from the Majlis. Emboldened by their popular mandate, liberal-minded members of parliament had voted down several conservative candidates for the twelve-member Guardians Council, which wields near-absolute power over the electoral process and is the arbiter of constitutional law in the Islamic Republic. Of the eight lawyers nominated to fill three vacancies, only one received the minimum number of votes needed for approval. In early August, however, Supreme Leader Ali Khamenei barred the presidential swear-in ceremony until parliament approved two of the conservative candidates for the council.

A sleight-of-hand by the hardliners eventually forced lawmakers to vote a second time on the slate of conservative nominees. Acting on the advice of the Expediency Council, the supreme leader loosened the voting rules in midstream so that it was virtually impossible to defeat their candidates. The rule change called for the top two candidates to be approved, regardless of how few – or, revealingly, how few – votes they received. (Of 243 members of parliament, two-thirds, or 162, registered their protests by casting blank ballots in the second round of voting.) It seems obvious that this powerful institution will remain firmly in the grasp of conservatives – giving the dinosaurs the ability to block legislation, even on the flimsiest of pretexts, that is not to their liking. They have no intention of letting procedural niceties diminish their influence over Iranian affairs, whatever the affront to democratic theory.

Worse, the standoff was a reminder that the supreme leader can single-handedly thwart the popular will. Khamenei also deployed his authority in June, when he authorized the Majlis to examine the financial activities of the state broadcasting company, IRIB. In so doing, the supreme leader overrode the objectives of conservative deputies, the speaker of parliament, and even the Expediency Council – most of whose members Khamenei himself had appointed. While reformers undoubtedly welcomed the chance to investigate the IRIB for corruption, the supreme leader’s ability to ride roughshod over the people’s elected representatives was surely disquieting to them. It was a harsh lesson in the smash-mouth brand of politics practiced by Iranian conservatives.

These dismal events cast a pall over the August 8 inauguration ceremony. Sounding a hopeful note, President Khatami emphasized the magnitude of the victory he had won. “With a conscious vote,” he proclaimed, “our intelligent and resolute nation gave a great credit to those who are in her service. Once again, our nation clearly confirmed in the same attitudes that she had voted for four years ago. This confidence has increased the people’s rights and my responsibilities.” In reality, the lackluster course of reform during Khatami’s first term casts doubt on the future of the liberalizing movement. Adding insult to injury, within hours of the inauguration, the judiciary ordered the closure of Hambastegi, a supposedly corrupt reform daily. And the hardliners vowed to subject Khatami’s cabinet nominees to minute scrutiny – in other words, judicial harassment. Best of luck, Mr. President.
...The More They Stay the Same

A series of scuffles between Washington and Tehran dashed already-faint hopes that the new Republican administration would ease the economic and diplomatic pressure on Iran. First, in June the U.S. Justice Department indicted fourteen individuals said to have carried out the 1996 Khobar Towers bombing, which killed nineteen U.S. Air Force personnel and wounded three hundred seventy-two others. According to a statement by Attorney General John Ashcroft, the culprits, thirteen members of Saudi Hezbollah plus one Lebanese national, “reported their surveillance activities to Iranian officials and were supported and directed in those activities by Iranian officials.” Ashcroft stopped short of indicting these officials or explicitly blaming Tehran for the attack. Nevertheless, Iranian Foreign Ministry spokesman Hamid Reza Assefi vehemently denied the charges, which he ascribed to “the ceaseless efforts of the United States to pressure the Islamic Republic” and, inevitably, “the Zionist lobby and its influence.”

Second, throwing additional fuel on the fire, President George W. Bush signed into law a bill that extended the Iran-Libya Sanctions Act (ILSA) until 2006. Since few politicians of either party relish the thought of being painted as soft on terrorism, the sanctions bill had passed convincingly in both houses of Congress. ILSA authorizes the president to penalize U.S. and foreign firms that invest more than $20 million annually in the Iranian petroleum industry. To justify the new legislation, the White House cited the perennial triad of U.S. concerns about Iran: Tehran’s support for international terrorism, its opposition to the Arab-Israeli peace process, and its pursuit of weapons of mass destruction.

Two factors softened the blow. ILSA gives the president the authority to levy sanctions against sanctions-busters; it does not compel him to do so. Spokesmen for the White House have denied any intention of aggressively pursuing new sanctions against foreign firms. “We see no reason to pick fights with Europe or other allies,” declared one official. Moreover, when signing the ILSA extension, Bush indicated—undoubtedly to encourage Iran to improve its behavior—that the sanctions would be reviewed frequently. The law requires the administration to reassess the sanctions periodically and report to Congress. Should he find that the Islamic Republic has met U.S. conditions, the president can recommend modifications to—or outright termination of—the sanctions. So ILSA proffers a carrot while brandishing a (small) stick.

Amid the predictable chorus of denunciations—official commentary chalked up the ILSA renewal to “lobbying by the Zionists”—some Iranian officials acknowledged that the sanctions have inflicted serious damage on the oil and gas sector. Petroleum Minister Bijan Namdar-Zangeneh admitted that ILSA had undercut Tehran’s ability to attract foreign investment. The country’s oil infrastructure antedates the 1979 Islamic Revolution and urgently needs to be upgraded with modern technology. In early August, Zangeneh told state television that production had dropped by 1.5 million barrels per day over the past five years because of the dearth of investment. Moreover, the lack of foreign investment has inhibited exploration of 80 percent of the country’s vast oil reserves, which are estimated at 1 million square kilometers. And Iran is only a minor exporter of natural gas despite boasting the world’s second-largest gas reserves. Zangeneh painted a gloomy picture.

Other officials put a brave face on the ILSA renewal. Ayatollah Ali Akbar Hashemi-Rafsanjani, chairman of the Expediency Council, insisted that “the renewal of sanctions is nothing new or important, and its effect is no more significant than the weight of a tiny bird upon the branch of a huge and deep-rooted tree.” Well, are the sanctions effective, or aren’t they? In terms of hurting the fortunes of the Islamic Republic economically, it seems clear that ILSA is having an acute effect. The petroleum minister’s confession evidences the distress of the state-owned petroleum firms, and the consequent impact on Iranian oil exports. And the economy depends heavily on those exports.

In terms of modifying Iranian behavior, however, the United States faces much the same dilemma confronted by Muhammad Khatami. Whatever the sentiments of the Iranian people towards America—and they are not nearly so hostile as their leaders—the wishes of the people have little effect on public policy. Moreover, on issues such as weapons of mass destruction, Iran is motivated largely by security concerns related to Iraq and Israel, not the United States. Changing Tehran’s security calculus, then, will be difficult regardless of who holds the reins of power in the Islamic Republic and how relations with the United States evolve.

A final irritant that emerged this past quarter was Tehran’s creation of a new court in which Iranian citizens can sue the United States directly for alleged breaches of international law. In November 2000, the Guardians Council approved legislation permitting “victims of U.S. interference” to file claims in Iranian court. Among the “U.S. crimes” mentioned by officials such as Expediency Council chairman Rafsanjani are the 1988 downing of an Iranian airliner by the cruiser USS Vincennes. The decision to permit individual citizens to sue foreign countries came in response to a wave of suits by former
Western hostages in U.S. court. In recent months, American judges have awarded upwards of $500 million to the aggrieved parties. The awards will be paid out of Iranian assets, totaling some $1.6 billion, that were frozen by Washington at the time of the Islamic Revolution. (A joint claims tribunal has been in existence for years to adjust claims by the governments against each other.)

There was no ambivalence among the hardliners about the recent souring of relations. At Qom, the hub of Islam in Iran, a conservative cleric lamented the “world Zionist dictators sitting in America and dictating things for our part of the world….They impose economic sanctions on Iran and the Islamic Republic. So much coercion, so much bullying. They call this freedom. They call this civilization. Death to such civilization…” Echoing these sentiments, albeit in less apocalyptic terms, the supreme leader maintained that the “crime of the Islamic Republic” was saying “we will not yield to you.” How much of this is simply for public consumption is uncertain. Still, the dinosaurs seem little inclined to buckle under to the Great Satan – come what may.

The Politics of Biotech

Meanwhile, the United States and Iran continued their venomous war of words over the Islamic Republic’s pursuit of weapons of mass destruction. In July, Secretary of Defense Donald Rumsfeld accused Tehran of developing biological weaponry contrary to the Biological Warfare Convention, of which it is a signatory. Whatever the truth of Rumsfeld’s claim, the dispute highlights two political difficulties confronted by the Bush administration in this area.

First and foremost, Washington recently withdrew from protracted negotiations on a protocol to enhance the verification of the convention. Bush administration spokesmen contended - correctly, if the frustrating U.N. experience with Iraq is any guide - that the new verification procedures would be ineffective. Worse yet, industrial espionage would be a likely side-effect of intrusive inspections and would exact a high price from the U.S. biotech industry - making the more muscular Biological Warfare Convention under discussion an exceedingly bad bargain for the United States.

Part of the inevitable fallout from this action - however justified Bush’s decision may have been - is that American officials will speak with diminished authority on such matters in the future. That is political fact. That the United States dismantled its biological arsenal soon after the Biological Warfare Convention was originally negotiated will count for little in the propaganda war. And, indeed, Iranian state television scoffed at Rumsfeld’s statement as a ploy to disguise America’s own contrarian stance on biological warfare.

Second, for foreign intelligence services it is exceedingly difficult to distinguish between illicit weapons programs and legitimate research. Numerous Iranian universities and research institutes are energetically pursuing a variety of projects in the fields of biotechnology and genetics. The nature of biological-warfare agents makes it easy to press ahead with prohibited research while strenuously denying it – and thereby making it impossible for Washington to generate any sympathy for its position in the international community. Happily from the U.S. vantage point, though, the Islamic Republic continues to suffer from a severe brain drain that has left the country with only 500 qualified biotech researchers.

In short, the safest bets are that the Islamic Republic is in fact building an unconventional arsenal to buttress its claims to great-power status and that the pleas of the Bush administration, currently the whipping boy of the international community, will fall on deaf ears at the United Nations.

Muscle-Flexing in the Gulf...

In early August, the naval component of the Islamic Republic Guard Corps (IRGC) staged three days of maneuvers in the Persian Gulf. The IRGC flexed its capabilities in boarding at sea, parachute operations, amphibious assault, mine-laying, and minesweeping. Navy personnel also tested shipboard surface-to-surface and surface-to-air missile systems. Admiral Ali Razmju, a spokesman for the navy, declared that the games promise friendship and peace to the neighboring states.” If anything, however, these naval maneuvers are designed to impress upon Iran’s neighbors its ability to make life difficult for them – perhaps even to the extent of closing the Strait of Hormuz.

Would the Islamic Republic actually close the Strait? It’s tough to imagine the circumstances that would warrant such a rash action, even among the hardliners who direct the nation’s foreign and military policies. First, the navy lacks the assets to interrupt shipping for more than a brief interval. To take just one example, the much-ballyhooed Kilo-class submarines purchased from Russia have largely failed to live up to their billing. Inadequate training and maintenance trump fancy Russian-built hardware. Should Tehran menace shipping in its backyard, Western navies would undoubtedly force the Strait – and humiliate Tehran by exposing the vacuity of its grandiose saber-rattling – in short order.

Second, and equally important, closing the Strait would be a self-defeating course of action. Like other Persian Gulf nations, Iran relies almost exclusively
on oil exports for such prosperity as it enjoys, and would be reluctant to jeopardize its economic lifeline. Third, aggressive action in the Strait would negate the peace offensive that has relaxed tensions with Saudi Arabia, given the Islamic Republic potential allies against a resurgent Iraq, and allowed Tehran to forge commercial ties with Europe. It seems plain, then, that Tehran will refrain from overtly provocative activities in its littoral waters. Naval exercises are a tangible reminder of Iran’s great-power status and its aspirations to regional dominance. Barring some cataclysm at home, such as a counterrevolution by reformers against the conservative dinosaurs – a remote possibility – energy security in the Gulf region seems assured.

...And the Caspian

Tehran’s naval demonstrations are not confined to vindicating the national grandeur of the Islamic Republic. Tensions flared over Caspian Sea petroleum resources. On July 23, for instance, an Iranian warplane harassed two research vessels under contract with British Petroleum. Subsequently, a gunboat from the Iranian navy ordered the two vessels from disputed waters. Iran currently controls some 13 percent of the Caspian basin but has backed a plan under which 20 percent would be allocated to each of the five littoral states. The BP research vessels were conducting operations within the 20 percent claimed by Iran. The prime minister of Azerbaijan, the other claimant to those waters, decried Iran’s “gross violation of international norms,” while a spokesman of Iran’s Foreign Ministry professed astonishment at the “Azeri hue and cry against measures taken by the Islamic Republic to defend its legitimate rights.” Tehran’s attempt to present a fait accompli in the Caspian Sea is sure to prolong the long-running dispute over seabed resources.

Conclusions

And there matters stand. It is hard to see how President Khatami can parley his electoral victory into tangible results in the face of implacable conservative opposition. Short of organizing some sort of popular resistance to the supreme leader – a drastic step for which Khatami, an inveterate appeaser, has shown no appetite whatsoever – change in the Islamic Republic will have to await the advent of a new generation of clerics. Thus the president’s only viable option may be to continue his public-education campaign in an effort to sow moderation among Iranian youth.

Indeed, such generational change may already be in the offing. Five hundred clerics, for instance, recently signed a petition advocating the release of Ayatollah Montazeri, a liberal hero, after years of house arrest. Such hopeful signs notwithstanding, a synthesis between democracy and the harsh brand of Islam practiced by Khamenei and his disciples – if such a thing is possible – will emerge at a glacial pace.

Finally, it bears repeating that President Khatami has little voice in national security affairs in any case. These are the province of the supreme leader, and liberals have been unable to establish oversight in these areas. Thus continuity will reign in the realm of Iranian foreign policy. The Islamic Republic will continue to pursue its buildup of conventional and unconventional arms, with the ultimate goal – however fanciful – of expelling Western armed forces from the region. Still, for reasons outlined above, the chances of an overt Iranian threat to energy security remain remote.

September 2001
Domestic Developments

Half Steps Forward?

Much of the political discourse within the parliament and throughout Kuwait has focused on the need for significant structural economic reforms, and the parliament has passed a number of laws setting a rudimentary framework for privatization and diversification of the economy. However, implementation has continued to be extremely slow, given the traditionally formidable societal and political obstacles that lie in the path of meaningful reform. Unfortunately, it does not look like the political deadlock between the cabinet and the parliament will break any time soon, and, given the makeup of parliament (dominated by populist and Islamic lawmakers), it is unlikely that the situation can change without a large-scale popular embrace of reform.

Typifying the difficulties faced by the cabinet in its drive to reform the economy was the announcement in June that the government will spend almost its entire FY 2001 oil income of $10.6 billion on salaries for workers under the existing state employment system. A staggering 93 percent of the approximately 230,000 Kuwaitis citizens in the workforce are employed in some capacity by the state. This massive public sector expenditure on wages, benefits programs, and related costs is an enormous burden that will have to be addressed if the Kuwait is ever truly going to reform.

The perceived ease in obtaining and holding a public-sector job has created an entitlement mindset within the population (particularly among the younger Kuwaiti workers entering or within the first few years in the workforce), which in itself creates problems. First, Kuwaiti voters vested in the current system pressure parliamentarians to safeguard their jobs and benefits - a major reason for the cabinet’s inability to pass reform legislation or to implement reforms after legislation has been passed. Secondly, foreign firms considering whether to enter Kuwait - a goal of the cabinet is to encourage and facilitate foreign direct investment - have found it extremely difficult to locate and hire workers with the necessary training, education and motivation to meet private sector standards.

While real reform will likely mean significant displacement and “pain” for a large number of Kuwaitis, it is highly unlikely that the country can move forward to a truly diversified, open economy without taking tough measures. An initial $172 million investment in the first-ever unemployment program by a GCC state is a progressive first step, but is certainly not enough.

The Costs of Doing Business

Similarly, the saga concerning the renewal of Japan’s Arabian Oil Company (AOC) contract to drill on the Kuwaiti side of the Saudi-Kuwait neutral zone shows the difficulties confronted by foreign firms at work in Kuwait (particularly in the oil sector). Given the slowly progressing Plan Kuwait, which seeks to invite foreign oil companies to develop northern oil fields, populist forces within and outside of parliament have used the renegotiation issue to fire a warning shot at the cabinet and foreign firms. Corporations looking at the prospects of becoming involved in Plan Kuwait will take a hard look at the final disposition of the AOC contract and the public and legislative reaction to the negotiations and the court battle.

Further Developments

In late June, the parliament approved a draft law to suspend and review Kuwait’s military conscription law, ostensibly to move forward in building a force capable of effectively integrating into a combined GCC force (should such a thing ever come to pass). Whether conscription continues to be a component of Kuwait’s armed forces, or whether (as some MPs have offered) Kuwait moves to a professional, all-volunteer force, remains to be seen. In addition, the current budget earmarks $650 million for arms acquisition as part of the continuing twelve-year, $12 billion program to rebuild the Kuwaiti military after the Gulf War.

The cabinet announced in early June that it was preparing to cut the tax rate for foreign companies operating in Kuwait from 55 percent to 25 percent. However, the bill must be ratified by parliament before the cut actually takes effect, and, given the current political environment, it may be a difficult initiative to pass. In July, Kuwait and Belarus signed agreements on mutual investment protection and
tax exemptions for government-owned corporations. Discussions on a similar agreement with Russia have taken place and are believed to be close to completion.

In early July, Kuwaiti officials, along with their GCC counterparts, approved the first phase of a feasibility study on a $1 billion project to link the gas networks of the six member states. In addition, the GCC has entered into discussion with the European Union to discuss the development of new export markets for Gulf oil and gas. The development of a joint EU-GCC commission on oil and gas supplies was discussed as well.

**Foreign Developments**

The approach of the eleventh anniversary of Iraq’s invasion of Kuwait brought an increase in Iraqi activity, seemingly focused on instigating a large-scale U.S. military response and intimidating Kuwait. Beginning in July, there was an increase in Iraqi attempts to shoot down U.S. surveillance planes, including a July 20 incident in which an Iraqi surface-to-air missile was fired at a U.S. E-2C Hawkeye early-warning plane flying in Kuwaiti airspace. Additionally, reports emerged from U.S. intelligence and defense sources that Iraq had successfully rebuilt most of the air-defense infrastructure that had been damaged by U.S. and British air strikes in February. At the same time, Iraqi media reports of an allegedly indigenous resistance movement at work in Kuwait seemed to represent the newest tactic in the quest to cow the Kuwaiti regime. However, over the same period Kuwait has continued to strengthen relations with other Arab nations, including Egypt and Syria, and skillfully undermined attempts by Iraq to link Kuwait with the United States and Israel as an enemy of the Arab people.

**Forcing an Endgame?**

Iraq’s motives for stepping up the attacks seem to lie in the belief that a disproportionate, large-scale U.S. response to its provocations would undermine U.S. credibility and create a groundswell of support in the UN for a complete lifting of the sanctions regime. Given the complete failure of the U.S. “smart sanctions” initiative and mounting global concerns over U.S. unilateralism on a variety of issues, Saddam may believe that a hard-hitting U.S. retaliatory attack on Iraq could be the final straw. Evidence of civilian casualties, whether real or created, could provide the impetus for a review of the sanctions within the UN and fuel a move - motivated in part by antipathy towards Washington - to lift them. U.S. defense officials are in a difficult position. A failure to respond to the Iraqi activity encourages further provocative action (and the possible shutdown of a U.S. plane); yet a response that is too large (something impossible to measure) could carry serious political consequences.

Similarly, the Kuwaiti leadership is in a difficult position. It understands the U.S. dilemma, but faced with its own familiar problem of perceptions in the Arab world of being too close to the United States. On August 1, Sheik Muhammad al-Sabah stated his opposition to any U.S. air strikes against Iraq, because the Kuwaiti government fears that such a course of action would only serve Saddam Hussein’s purposes. “The Iraqi regime does not care about any harm brought upon its people. It refuses to help them, and does not even want the blockade to be lifted.” The statement reflects the Kuwaiti strategy of echoing sympathy for the plight of the Iraqi people, while firmly opposing the leadership in Baghdad. It also clearly illustrates Kuwait’s fear of an Iraq free of restraints and Kuwaiti leaders’ understanding of the utility (for propaganda and domestic control purposes) that the existing sanctions provide for Hussein.

**Stirring the Pot**

At the same time, the Iraqi media began reporting on the activities of “national resistance groups” at work within Kuwait, attempting to overthrow the emir and attacking state interests. A shutdown of a refinery at the al-Shuaiba oil field and a more serious incident involving an explosion at the al-Ahmadi oil field were both credited to these revolutionaries. While the Kuwaiti government officially denied these reports, Information Minister al-Ahmed admitted on August 1 that “We have started to fear terrorist operations by the Iraqi regime.” Kuwaiti security sources deny the existence of an indigenous armed Kuwaiti opposition operating within the emirate, but clearly officials are concerned that Iraq is fomenting opposition among the various non-Kuwaiti workers living in the country. At the very least, the “Kuwaiti organization calling itself Muhammad’s Army Battalions,” as described by Iraqi news outlets, may serve as a cover for Iraqi activities. Fears of domestic insurgencies are also exacerbated by the implementation of recent GCC-related agreements to facilitate the movement of laborers among the member states, which may have the unintended consequence of aiding Iraq special-force-operations efforts within the emirate.

Whether the actual capabilities of indigenous or external insurgents operating within Kuwait prove to become a serious concern for Kuwaiti security forces, it seems that Iraq’s decision to introduce this element into the regional security dynamic is connected to the recent U.S. response to potential terrorist activities in the Gulf. The highly publicized
U.S. response of moving manpower and assets out of the region, which came in the face of intelligence reports of a plan by Osama bin Laden’s al-Quaidah network to hit U.S. targets in June, may have increased the value of such psychological tactics in the Saddam Hussein’s mind. French Arab-speaking media reports of the apprehension of Afghan infiltrators attempting to link up with Kuwaiti militants to attack U.S. targets have added to the heightened sense of insecurity. While the psychological impact of potential terrorism is, in itself, a weapon, in reality Kuwaiti forces have been successful in identifying and thwarting terrorist plots. However, U.S. and Kuwaiti intelligence services will have to work together to provide a coordinated response to these threats, and will likely increase force-protection capabilities at Camp Doha and other possible targets.

Strengthening the Bridges...

On August 18, Syrian President Bashar al-Assad visited the emirate to discuss bilateral economic and political relations, as well as the ongoing conflict between Israel and the Palestinians. While Syria and Iraq have improved their relations, particularly relative to the movement of Iraqi oil, Assad has vocally supported Kuwait, specifically on the critical issue of Kuwait’s prisoners of war in Iraq. Assad’s visit is the latest in a series of important bilateral meetings between high-ranking Kuwaiti officials and their counterparts from other Arab states. In June, for instance, a Kuwaiti delegation visited Egypt to discuss increased economic and military cooperation.

Strengthening these diplomatic linkages has greatly improved Kuwait’s geopolitical situation in the region, as evidenced by the Arab reaction to a mid-August Iraqi initiative to set up an Arab League-moderated discussion of the POW issue between Baghdad and Kuwait City. The Kuwaitis refused to take part in the process, and, more importantly, not a single Arab capital took up the Iraqi cause or pressured the Kuwaitis to discuss the proposal for the sake of Arab unity. Kuwait’s public and economic support for the suffering of the Palestinians, and even its public expressions of empathy for the suffering of the Iraqi people under the sanctions regime, have done a great deal to build goodwill within the Arab world. At the same time, the quiet decision to prohibit Hamas from opening an office in Kuwait reflects the cabinet’s clear grasp of reality and the need to balance Arab solidarity with U.S. (and its own) security concerns.

At the same time, Kuwait has continued to build bridges outside of the Arab world. Magnanimous gestures, such as sending emergency humanitarian aid to Iran to help flood victims, have met with great appreciation and acclaim in the Iranian media. Continuing economic and political discussions with Russia have led to an increasingly close relationship, leading to a Russian pledge to pressure Iraq to address the Kuwaiti POW situation. These diplomatic maneuvers within and outside of the region have paid dividends and should continue to improve Kuwait’s bargaining position with Iraq, should the opportunity for a real dialogue between the former enemies arise.

A Wake-Up Call?

At the very least, Iraqi efforts to provoke a showdown with the U.S. and to destabilize Kuwait should concern U.S. defense planners and emphasize the importance of the U.S. presence in Kuwait. A July 25 Washington Post article reported on leaks that Secretary of Defense Rumsfeld and the Joint Chiefs of Staff were considering a strategy that would likely involve cuts in U.S. conventional forces, particularly those stationed abroad. Particularly alarming was a quote in the article: “…one official said, planners are looking at the U.S. military presence around Iraq. ‘What is our long-term force construct for the area?’” he said. “Do we really need the Army in Kuwait all the time?’” News of such discussions surely caused alarm within the Kuwaiti government and will provoke fierce debate within the U.S. Congress. While Kuwait ratified the GCC defense pact on June 18 and has taken steps to improve its own defense capabilities, the deterrent effect of the U.S. forward deployment at Camp Doha is considered critical to Kuwait’s security. Any attempts to change the U.S. force structure in the Gulf will necessarily be carefully weighed to account for the reactions of Kuwait City and Baghdad, and it is highly unlikely that a dramatic (and very likely destabilizing) reduction in forces will take place in the near future.
Abu Dhabi has embarked on a new diplomatic initiative with Iran in an effort to resolve the dispute over Abu Musa and the Tunbs. Yet, despite a recent high-level visit by UAE officials to Tehran, Iranian concessions are unlikely. As a result of the continuing tensions - not to mention immutable geostrategic realities - the UAE will continue to view Iran as the primary threat to its security. Despite this ongoing security concern, the UAE has joined Qatar and Kuwait in opposing implementation of a new Gulf Cooperation Council (GCC) security pact aimed at improving combined defensive capabilities among the Gulf Arab states.

New Diplomacy

On 23 July, UAE foreign minister Shaykh Hamdan bin Zayed al-Nuhayyan led a high-level delegation to Tehran. Billed as a congratulatory gesture to newly elected President Khatami, the mission reportedly set the stage for discussions regarding the long simmering Abu Musa and Tunb Islands dispute. Seized by Iran in 1971 after Britain’s withdrawal from the region, revenues derived from the offshore oil fields adjacent to Abu Musa – the largest of the three islands – were shared between Iran and the UAE from 1971 until 1992. A series of incidents in 1992 sparked a renewed row between the two countries and led to Iran’s militarization of Abu Musa. The Greater and Lesser Tunbs are too small to support permanent military bases. In addition to an airstrip, estimates show that Iran has stationed an estimated 4,000 troops and three to five fast-attack patrol craft on Abu Musa. Moreover, Tehran may have positioned a stockpile of chemical munitions on the disputed island.

How to shape relations with Iran, and how to approach the islands dispute, continues to divide opinion in official circles. Leaders in the emirates of Abu Dhabi and Ras al-Khaimeh promote a tough stand, for example, but Sharjah – which was once a principal beneficiary of shared revenues derived from the oil fields adjacent to Abu Musa – is more cautious. Dubai, for which Iran is the largest re-export market (representing 20-30 percent of the emirate’s trade), wants a resolution of the islands dispute and other bilateral issues between the UAE and Iran. The crown prince of Dubai was even reported as having implied that the United States, rather than Tehran, was responsible for heightened tensions in the Gulf, a comment apparently meant primarily for the domestic audience.

Should Muhammad Khatami succeed in consolidating power in the Islamic Republic, and subsequently diminish the influence of hardliners on Iranian foreign policy - a remote possibility; see the Iranian chapter - it would create the potential for a resolution to the islands dispute. However, given the political capital expended by Abu Dhabi on supporting its view of the dispute and proper outcome, it is questionable whether the UAE would be willing to actually cut a deal without significant concessions by Tehran. In the late 1990s, Iran allegedly offered the UAE sovereignty over the Lesser Tunbs in exchange for recognition of Iranian control over the Greater Tunbs and Abu Musa, but such a limited arrangement would likely be anathema to Abu Dhabi.

One potential avenue to an agreement is the possible willingness of Saudi Arabia to provide the UAE concessions elsewhere in exchange for a UAE reconciliation with Iran. Riyadh, as evidenced by Crown Prince Abdullah’s push to resolve Kuwait-Iran border disputes, may see the resolution of the islands issue as a way to consolidate the Saudi-Iran rapprochement begun in the mid-1990s. Such concessions may take the form of land deals in the oil-rich Ruwais border area between Saudi Arabia and the UAE. They may also include an increased willingness by Riyadh to cede additional – albeit limited – political power to Abu Dhabi in intra-GCC relations.

Threat Perceptions Unchanged

While renewed diplomatic efforts on the islands dispute may lead to more civil diplomatic relations between Abu Dhabi and Tehran, the UAE will continue to view Iran as its primary security threat. Its vulnerable geographical position and Iran’s ambitions to regional dominance make a change in the emirates’ threat evaluation exceedingly unlikely.

In light of this perception, the UAE armed forces have been conducting an ongoing naval modernization program, including the purchase of major surface warships (frigates), fast-attack
patrol vessels, maritime reconnaissance aircraft, and enhanced command-and-control systems. The focus of UAE attention is Iran’s Kilo-class submarine fleet. The Iranian navy operates three Russian-built and -equipped Kilos capable of interdicting commercial and naval traffic in and around UAE waters; reporting suggests the Iranians are looking to acquire additional late-model Kilo platforms.

Iranian submarines could also be used to gather intelligence, as well as to conduct special operations – such as landing saboteurs along the UAE’s vulnerable coast. While the UAE navy’s anti-submarine-warfare capability is composed of surface and air assets, there are indications that Abu Dhabi may be looking to purchase diesel submarines from either Italy or Germany. Submarines are the best platform to counteract other submarines; a UAE undersea flotilla would also boost the emirates’ surface interdiction capabilities and bolster the nation’s prestige within the GCC. Yet deficiencies in training and manpower would likely limit the effectiveness of newly acquired submarines. The difficulties Iran has experienced in operating its own submarine fleet effectively provide a cautionary lesson for GCC nations that harbor similar aspirations.

While Abu Musa-based Iranian naval units operating with larger Iranian naval and air forces could threaten shipping in the Straits of Hormuz and exact losses on regional or U.S. naval opponents, their success would be short-lived due to the preponderance of U.S. naval strength in the region. Even with its modernization program, any UAE naval force would play a secondary role to the U.S. Navy in a regional conflict. The UAE can, however, contribute significantly in the areas of peacetime patrolling, disruption of asymmetric attempts by others to conduct maritime infiltration along the UAE coastline, and support for combined U.S.–GCC operations. At present the British-trained and equipped Omani navy is the most capable on the Arabian Peninsula, but the UAE’s ongoing modernization program could eventually change that assessment.

**GCC Security Pact on Hold**

Although a much-touted security pact among the GCC states was ratified in July by UAE president Shaykh Zayed, its implementation has been put on hold due to differences over undisclosed treaty provisions. The UAE joined Kuwait and Qatar in opposing implementation of the agreement. One area of discord apparently concerns individual freedom of movement between countries; this issue is problematic, as large foreign worker populations exist in all six countries. The accord is reportedly meant to strengthen the existing joint security mechanisms – such as the joint ground force, Peninsula Shield – through a pooling of resources and increased cooperation on regional security issues, including intelligence sharing and joint training. As noted in the March 2000 quarterly report, while enhanced cooperation is possible in areas such as airborne early warning and regional air defense, a truly integrated GCC defense is unlikely for the foreseeable future due to ongoing interstate political and economic differences.

**The Impact of Israeli-Palestinian Violence on the UAE**

As the violence in Israel and the Palestinian territories escalates, the UAE continues to condemn Israeli actions and what it perceives as U.S. unwillingness to pressure the Jewish state. Deputy Prime Minister Shaykh Sultan bin Zayed al-Nuhayyan stated on July 19 that the partnership between regional countries and the United States, as well as American credibility, is jeopardized by Washington’s support of Israel. Such statements are aimed at propping up the eroding image of Arab unity on the Palestinian issue, while deflecting extremist criticism of the UAE government. While sporadic demonstrations in support of the Palestinian cause have occurred in the UAE, mainly in the universities, the regime does not face any imminent threat from either its own population or resident expatriate extremists. Yet, as the UAE–U.S. relationship becomes more intimate as security ties deepen, possibly including U.S. pre-positioning of weaponry at UAE bases, the heretofore stable regime may be subject to popular as well as regional religious and nationalist criticism. The UAE, while serving as a transit point for extremists between the Levant, Arabian Peninsula/Persian Gulf, and South Asia, has not yet suffered from home-grown extremists. However, the likelihood for internal or externally derived rifts would be greater if the UAE economy – and the corresponding ability to maintain the social-welfare system – falters.