

TOWARD A NEW U.S.-MIDDLE EAST STRATEGY

A Saban Center at Brookings - Council on Foreign Relations Project

Toward A New U.S.-Middle East Strategy is a joint Saban Center at Brookings – Council on Foreign Relations project staffed by Middle East experts from both policy establishments. The strategy group, formally launched in July 2007, is conducting in-depth research, fact-finding trips to the region, dialogue with regional officials, and consultation with American policymakers in an effort to develop a new Middle East strategy for the next president. The project marks the first time in the history of the Brookings Institution and the Council on Foreign Relations that a group of their experts are partnering to develop policy recommendations.

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GULF TRIP REPORT

Qatar and the United Arab Emirates

February 16-20, 2008

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In the third week of February 2008, we engaged the leading policymakers in Qatar and the United Arab Emirates in detailed conversations about what they are looking for from a new American president. We also participated in the U.S.-Islamic World Forum and engaged in a series of conversations with Middle Eastern officials and civil society representatives.

While all those with whom we spoke are fascinated by the American presidential primary elections and seem to be following the results closely, few have yet focused on the possibility that a significant change in U.S. foreign policy might result from a new administration in Washington. As usual, there seems to be a significant disconnect between leaders and publics. The leaders are focused on how the next administration will deal with complex regional security issues—notably the implications of a reduction of U.S. forces in Iraq, what they perceive as a slackening of American resolve to prevent Iran from acquiring nuclear weapons, and succession challenges in Egypt and Saudi Arabia. Their publics, however, seem happy that the prospect of a new war with Iran has receded and Sunni-Shi'i tensions have subsided. The publics are hoping that a new president will uphold American values by resolving the Palestinian issue and pressing their authoritarian governments to be more open, transparent and accountable.

IRAN

The smaller Gulf states are now enjoying the benefits of an unprecedented economic boom. But the richer they become—and their wealth now is beyond the dreams of

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avarice**—the more insecure and vulnerable they feel. Their publics may be in a wealth-induced daydream, but their preoccupation is with protecting that wealth. Lacking the ability to defend themselves, they are all too aware of their dependence on the United States to defend against the implications of Iran's bid for dominance in their region.

These Gulf countries are confused about the United States' true intentions, wondering whether the recent National Intelligence Estimate on Iran and election campaign rhetoric about engaging the Iranian leadership are early indications of a likely U.S.-Iranian deal that will come at their expense. What they want from the next president, more than anything else, is close consultation and coordination before any initiative is taken. At the same time, they are perturbed by what they see as a habitual unwillingness of the Bush Administration to consult with them while expecting them to fall into line with America's anti-Iranian stance. Whatever the United States does, Gulf states will be left to manage the consequences since they inhabit the same neighborhood as Iran. Thus, they are now keeping their channels open to the Iranians because they do not want to be caught out on a limb if the United States is no longer going to be out there with them.

They have lived with the Iranians for centuries, do extensive business with them, and therefore believe they know Iran better than the United States, especially given America's very limited exposure to the Iranian regime for the last three decades. Gulf policymakers think that an approach that offers juicier carrots and threatens bigger sticks can work, particularly because they sense that the Iranians are now feeling the impact of financial sanctions and economic and domestic pressure based on their inability to develop their own oil and gas fields.

However, Gulf policymakers believe that for the Iranians to take seriously any new diplomatic initiative, the initiative needs to be supported by all the major powers—i.e. Russia, China, and the EU states—as well as the members of the Gulf Cooperation Council (GCC). A predominant sentiment was that if Russia and China are not on board, the Iranians will calculate they can play the United States, China, and Russia off against each other. From the perspective of many in the Gulf, heading off Iran's nuclear ambitions should be the priority. The next president needs to be ready to trade off other issues to secure Russian or Chinese support for this. They point out that they have much to offer the Iranians themselves, with the ability to provide capital for the development of Iran's gas and oil fields that can match the provision of U.S. technology should Iran show an interest in modifying its behavior.

If that approach fails, Gulf policymakers are less united about what the fall-back option should be. Some are categorical that a preventative military strike on Iran's nuclear facilities would be preferable to the advent of a nuclear arms race in their region. These leaders predict that if Iran goes nuclear, other regional powers will promptly follow suit, which is unacceptably destabilizing for them. Other leaders, however, fear the consequences of U.S. or Israeli preventative strike because they stand on the front line. These leaders have no appetite for another military confrontation in the region.

** For example, Saudi Arabia, Kuwait, Qatar and the UAE are estimated to have \$1.6 trillion in assets in their sovereign wealth funds. See Martin A. Weiss, "Sovereign Wealth Funds: Background and Policy Issues for Congress," CRS Report for Congress, January 28, 2008,. Available at <http://assets.opencrs.com/rpts/RL34336_20080131.pdf> and Henny Sender, Sundeep Tucker and David Wighton, "Saudi Arabia aims to take lead in sovereign wealth fund stakes," Financial Times, December 22, 2007, p. 1.

Those with whom we spoke said they would all welcome a nuclear guarantee from the United States and are perplexed as to why discussions of such security guarantees have not yet been undertaken. They say they would not view the broaching of this idea as an indication that the United States had decided to live with an Iranian nuclear weapons program. Rather, the failure to discuss a contingency security framework is seen as evidence either that the United States is underestimating Iran's intentions or not taking the vulnerability of America's Gulf allies seriously.

IRAQ

The drop in sectarian violence in Iraq is much welcomed by the smaller Gulf states, although there is skepticism that this lull will last. Those with whom we spoke said they are caught between their desire to see a reduction in U.S. presence (which they regard as an occupation), and the fear of chaos that might ensue, which could create an opportunity for Iran to consolidate its influence on the Arabian side of the Gulf.

Many in the Gulf are divided about how to view and treat Iraq's Shi'ah. They prefer to see them as Arabs who share an interest in containing the influence of the "Persians." But they consider the current ruling class of Iraqi Shi'ah as all beholden to the regime in Tehran. They are little impressed by Iraqi government statements that call for U.S. troops to remain since they view the Iraqi government as an extension of Iran. They interpret these calls as evidence that Iran prefers the *status quo* of a large-scale U.S. presence in Iraq that keeps a lid on chaos. For Tehran, this may have the added benefit of keeping U.S. troops tied down, reducing the chances that they will be used against Iran. Tehran's ability to inflict heavy casualties on American forces in Iraq in retaliation for an U.S. military strike on Iran also provides it with a deterrent, as long as American forces are present there.

Logically, a reduction in presence of U.S. troops would therefore be of greater concern to Iran than a continued high-level commitment (the logic is similar to the advantage Syria saw in keeping the Israeli army stuck in southern Lebanon before its unilateral withdrawal in July 2000). That leads Gulf policymakers to prefer a gradual and responsible withdrawal of U.S. troops to a prolonged stay.

ISRAELI-PALESTINIAN ISSUES

From the outset, Gulf leaders and Arab publics alike want to see the next president seriously engaged in an effort to resolve the Palestinian issue. However, to them, resolving the matter is important not so much for its own sake but because it serves their other priorities. Civil society leaders are interested in a resolution because they believe it will remove the excuse that their own governments use to deflect demands for fundamental change at home. At the same time, Gulf policymakers are interested in a resolution because it will reduce the ability of Iran and Islamist militants to exploit the issue to build their popularity in the Arab street. A credible American effort will also help to rebuild the much-tarnished image of the United States in the Arab world, making it more comfortable for these leaders to maintain their dependence on American protection.

Policymakers in the Arab Gulf states view with skepticism President Bush's initiative to achieve a "peace treaty" by the end of 2008, given his lack of seriousness about this issue for the previous seven years. It has been more than three

months since the Annapolis meeting and many in the Gulf see little sign of seriousness in Bush's arms-length embrace of the negotiations. Since they know little of what is actually happening in the negotiations between Palestinian President Mahmoud Abbas (Abu Mazen) and Israeli Prime Minister Ehud Olmert, they are focused on what is visible on the ground where the situation only seems to grow worse with reports of settlement activity in the West Bank, Palestinian misery and escalating conflict in Gaza.

It is possible that the negotiations are actually making progress without American help. That is the view of some in the Palestinian camp. The belief is that a declaration of principles could be agreed in the next few months. One well-informed perspective is that Olmert and Abu Mazen have made real progress in bridging the divide on some of the most critical issues. Although a drafting process has begun, unless the political will is there to close the deal and go public with the text, all this will not be worth the paper it is written on.

Abu Mazen may have more to lose in that regard since without an agreement he will have nothing but setbacks to show for his presidency. The same could be said for Olmert's tenure as prime minister. As his governing coalition becomes more unstable, he has now begun to distance himself from Bush's objective of an end 2008 agreement, while buying political breathing space for himself by allowing settlement activity—a process which undermines Abu Mazen's credibility as his negotiating partner.

Gulf policymakers tend to be somewhat passive observers of this process. They accept the argument that help needs to be provided to Palestinian Prime Minister Salam Fayyad's efforts to revive Palestinian economic activity, but Gulf governments are reluctant to write blank checks, given their past experience with the disappearance of their money. Fayyad is having some success in convincing them that it will be different this time. As testament to this, the United Arab Emirates has decided to provide \$100 million in much-needed budgetary support to the Palestinian government, and the Saudis may provide as much as three times that. The Qatari government, on the other hand, is unwilling to provide meaningful financial support to the Palestinian Authority until it feels greater respect for its diplomatic efforts (which are aimed at reconciling Abu Mazen with Hamas, something he is not interested in until the Palestinian balance of power shifts against Hamas).

Gulf policymakers are divided on what needs to be done about the Hamas problem. Some see Hamas as part of the larger threat posed by the Muslim Brotherhood to their regimes and would like to see Hamas dealt a decisive blow, either by a successful peace process that excludes it, or by Israeli military action in Gaza. One policymaker cautioned, however, that "this time we can't afford another defeat like happened in Lebanon" [in 2006]. According to this view, after Hamas is dealt a devastating military setback by the Israeli army, Israel should withdraw from Gaza again in favor of an international force that would take control and then hand over power to Abu Mazen and the Palestinian Authority.

Some Gulf policymakers are convinced that while Hamas craves international legitimacy, it will never sacrifice its basic ideological purpose or its loyalty to the Muslim Brotherhood to achieve it. In their minds, therefore, promoting reconciliation between Fatah and Hamas would be akin to letting the fox rule over the chicken coop. It would also torpedo the peace process since Israel has stated it will not deal with Hamas.

Other Gulf policymakers take the opposite view: peace will not be possible unless there is reconciliation between opposing Palestinian camps. Therefore, those who articulated this view prefer to keep the channels open to Hamas

leaders (and may even be providing financial support to facilitate that process). They assert that the Hamas external leadership is more pragmatic than the increasingly hard-line locals who control Gaza. They also believe that the Hamas external leadership will be willing to accept Israel in a step-by-step process that begins with a Gaza ceasefire, and is followed by reconciliation between Hamas and Abu Mazen. This would lead to Hamas' tacit support for Abu Mazen's negotiations with Israel. This is the line espoused by the Islamists we consulted too. They claimed that they even foresaw peace with the Jewish state at the end of the current process, provided that the Palestinian state was viable, contiguous and sovereign in both Gaza and the West Bank.

WHAT TO DO ABOUT SYRIA?

There is a good deal of frustration among many in the Gulf with Syrian President Bashar al-Asad. Gulf governments have tried to offer Syria carrots in the form of substantial investment but they have made this contingent on Damascus allowing a president to be elected in Lebanon. At the same time, they have wielded the threat of not attending the Arab League Summit in Damascus if Syria does not agree to these terms. This approach seems to have had little impact. They have become as frustrated as previous notables were (Colin Powell, Tony Blair, and Nicholas Sarkozy) in dealing with the young, brash Syrian leader. They do not think Asad is interested in a negotiation with Israel at this stage, preferring to focus on getting his way in Lebanon before the next U.S. president assumes office, when there will perhaps be a change in attitude toward Syria in Washington.

One Gulf policymaker reminded us that the Syrians are “traders,” and therefore need to know what they will get from the next president before they respond. This policymaker felt it was important to present Syria an alternative to dependence on Iran. On Lebanon, the feeling was that the Syrians would settle for a Lebanese government that is not hostile to Syria's interests (a “Finland” solution). Another policymaker explained that the only way to get the Syrians to take American concerns seriously is to weaken and isolate Iran first. Only when Asad comes to the conclusion that he was on the losing side would he be interested in a serious engagement with the next American president.

SOVEREIGN WEALTH FUNDS

The immense wealth and growing sense of vulnerability of these small Gulf states is leading them to think strategically about where they invest their surplus revenues. They are keen to use their windfall wealth to cement a strong relationship with the United States, but are dismayed that Americans suspect their motives. For the first time, sovereign wealth fund managers are adding a political risk calculation to their assessment of investment opportunities in the United States.

Many Gulf states have also adopted a new policy of investing in the region, something they avoided during the last oil boom. Abu Dhabi, for example, is committed to investing \$25 billion in each of the Arab states of North Africa (Egypt, Libya, Algeria, Tunisia, and Morocco) and a lesser, though still substantial, amount in Jordan. This could make a significant difference to the ability of these economies to generate productive jobs for their people. There is an opportunity for the next U.S. president to support their assumption of responsibility for promoting economic development in the region.

The trend of Gulf countries investing at least some of their wealth in the Middle East is an important development that would not have been possible without the extensive process of privatization and deregulation that successive U.S. administrations encouraged oil-poor Arab neighbors of the Gulf to undertake. The next president will need to make encouraging this process of economic reform a priority for his/her Middle East agenda.

U.S. POLICY

Repeatedly, Gulf policymakers with whom we spoke emphasized the need for closer consultation with them. They now have considerable resources to contribute to the “common interest,” whereas their sense of vulnerability has increased. They want to be treated as partners, not clients and they want an end to what they see as the United States trying to play them off against each other. “Go with your big allies, but don’t abandon or ignore the small ones,” is the way one of our interlocutors put it.

Beyond their concerns about Iranian intentions, they all worry about the future of the other two larger Arab powers in their neighborhood, Egypt and Saudi Arabia. They fear that the Muslim Brotherhood is now poised to take power in Egypt and, if that happens, that the Saudi royal family will lose control to the Wahhabis too. They hope the next U.S. president will pay attention to the need for a smooth succession processes in both countries.

Finally, when it came to the question of democracy promotion, none of the people with whom we spoke thought the next president should give up on the effort. However, many emphasized that the attempt to promote admirable American values was undermined by the perception of a U.S. “double standards” policy. A strong effort to resolve the Palestinian issue would do much to enhance U.S. credibility on democracy promotion.

It is clear from these discussions that, notwithstanding the missteps and back-tracking of the Bush Administration, the language of political and economic reform is now common currency in the region. One Islamist explained that he had come around to accepting the argument of some scholars that Islam required governments to be accountable to their people. Nevertheless, Gulf policymakers worried that a renewed effort at democracy promotion would undermine the Egyptian and Saudi regimes, something the region could not afford. They argued that the next president should press the regimes in private and adopt a nuanced approach suited to each country’s circumstances.