

Security Situation in the Gulf Region Involving Iran, Iraq and Saudi Arabia as Regional Powers. Policy Recommendations for the European Union and the International Community

Discussion paper

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I The State of Affairs

1 The Regional State of Affairs

- The importance of the Gulf region as a supplier of energy and as a market for Europe is growing. Securing energy resources has become a key priority for the European Union and its member states. Europe faces increasing global competition for energy resources.
- The region as a whole would have an enormous potential, assuming that the conflicts with Iran as well as those with Iraq would have ended. Economic dynamism is at its highest in the six member states of the Gulf Cooperation Council (GCC = Bahrain, Qatar, Kuwait, Oman, Saudi Arabia and United Arab Emirates). Trade with the states of the GCC is increasing. A diversification of the political system directed by the regimes themselves and an opening of the economic and financial markets might produce positive results. Small Gulf states like Bahrain and Kuwait are setting good example for their neighbours.
- At the moment the GCC is among the most promising forms of sub-regional cooperation. The dynamics of integration, however, are low as the General Secretariat of the GCC in Riyadh has only limited competencies. The customs union of the six countries has been set up only recently. The creation of a free-trade zone with the European Union should have been finalised already in 2006. But differences in cultures and methods of negotiation between the two regional actors are slowing down the rapprochement. The political relations between the various GCC-members, moreover, are burdensome. A multilateral agreement on the mutual recognition of borders of the member states of the GCC has not been concluded yet; only bi-lateral agreements exist.
- In contrast to the potential of the region, the security situation in the Arab-Persian Gulf involving the three main actors Iraq, Iran and Saudi Arabia is deteriorating noticeably and becomes increasingly complicated. The conflict potential and the atmosphere of mistrust between the actors are on the rise because of the civil-war-like conditions in parts of Iraq and of the controversy around Iran's nuclear program. Trust in the United States as protector of Saudi Arabia and the small sheikdoms of the Gulf region is declining even though these states do not have any security alternative to the American military presence in the Gulf region. The U.S. administration has decided to deploy additional troops to Iraq and to supply more arms to the small emirates in the Gulf. During their last summit in December 2006, the GCC member states decided to start their own nuclear program. These are all indications that the Gulf region is threatened by a new arms race. To make matters worse, no sub-regional framework of cooperation and security exists that encompasses the three regional powers Iran, Iraq and Saudi Arabia.
- In view of the perceived failure of their Iraq strategy, the United States have less and less authority in the region. Even though the Gulf states still depend on U.S. guarantees for their security, domestically they find themselves confronted with a population that eyes the American presence in their countries critically. A further weakening of the USA can eventually lead to a political vacuum that cannot be compensated for by any other party at the moment: not by actors within the region and not by other outside actors.
- The European Union faces huge expectations in the region ("Europe is accepted, wanted, and needed").
- Due to the security situation in the region, the rising revenues from oil and gas exports as well as the war against terror, a stagnation of the political reforms and the process of economic opening seems imminent. Increasing revenues may induce the regimes to "buy off" their

populations' demands for political and economic reform. The war against terror may induce the regimes to enhance repressive organisations and to curb the dynamics of civil society.

2 The State of Affairs Country by Country

2.1 Iraq

- The problem areas in Iraq are multi-layered. The security situation varies from region to region. The country is at risk of breaking apart along ethno-religious lines. A weak central government faces local and regional authorities and militias who also fight among each other. The terror, moreover, produces a climate of fear. Every day thousands of Iraqi flee to the neighbouring countries. As to now the Iraq-policy of the United States and their allies could not provide a stabilisation in all parts of the country. The actors seem to more and more realize this situation. This opens new possibilities.
- However, the threat lingers that Iraq will become (next to Lebanon, Palestine and Somalia) the central scene of American-Iranian confrontation ("battlefield"). The line of confrontation runs between a weak Gulf Cooperation Council (GCC) allied with the United States on the one hand and Iran as regional "winner" of the war in Iraq on the other hand.

2.2 Iran

- There is no consensus in the religious and political establishment on a strategy for the foreign-policy and domestic-policy challenges of the country. Important moderate groups prefer regime stability and the establishment of Iran as a regional power by means of a process of social and economic transformation based on integration into the world economy and on a political dialogue with the neighbours and the West (compare: National Vision Plan 2025). The hardliners, however, prefer to consolidate the regime and Iranian supremacy in the Gulf by means of a policy mix of isolation and threats. The hardliners in the religious and political establishment consider the army of the United States as bound in Iraq. They see themselves as winner of the last war in the Gulf and therefore qualified to assume a political, economic and technological supremacy in the Gulf region. The United States and Israel are both considered as a central threat. Rhetoric against Israel, missile tests, support for Hamas and Hezbollah and the nuclear program grow fear and mistrust also in Iraq and within the GCC. These conflicts feed a religious-political confrontation between Shiism under Iranian leadership and Sunnism under Saudi Arabian leadership.
- Internal and external perceptions of Iranian politics are fundamentally distinct from each other: A lot of scepticism exists regarding the political intentions of the US. Therefore, the Iranian elites feel threatened and give highest priority to the continuation of their regime. The option of nuclear armament is seen as "bargaining chip". From outside however Iran is considered as aggressor and as source of irritation for regional and international security.

2.3 Saudi Arabia

- In the medium term political stability seems the most probable forecast for Saudi Arabia. The admittance to the World Trade Organisation (WTO) in December 2005 (as last member of the Gulf Cooperation Council) consolidated the agenda of economic reforms. The problematic lack

of real jobs for the growing population – mostly young people – could be enhanced by this leading to more internal stability.

- While Saudi Arabia is in a process of economic opening, it still is the country with the least rights of political participation in the Gulf region. For the first time however there are attempts of public debates on internal issues to which the royal house reacted with (partly only symbolical) actions such as the beginning of a “national dialogue”. A growing chasm opens between the desires and needs of the population and liberal oriented intellectuals on the one hand and the policy of the royal house on the other hand. More political participation promises a lasting transformation of economy and society.
- The relations of the Sunnite Saudi Arabia with the Shiite Iran are also decisive for the development of religious contacts within the Gulf region (especially in view of the religious conflicts in Iraq).
- Recently Riyadh is committed more openly to the settlement of the internal Palestinian and Lebanese power struggles as well as the advancement of the peace initiative of the Arab League to solve the Israeli-Arab conflict.

II Recommendations of Action for the European Union

1 The Regional Perspective

- For the near future Europe should pursue a four-track approach vis-à-vis the Gulf region: (1) a concerted cooperation between the United States and the neighbouring states of Iraq in order to stabilize the country, (2) development of a new political, multi-laterally agreed upon approach to Iran and its nuclear program, (3) enlarging cooperation with the GCC in the fields of security policy, education, environment, and health, and (4) help for development of Yemen so that the country can gradually be adducted to the GCC.
- At the same time the negotiations to complete the EU-GCC free trade zone should be finalised soon and in the spirit of partnership. In addition to these negotiations further areas of possible cooperation should be considered as well – like education, health, energy, and environment – in order to counter the resentment on both sides regarding the still not concluded agreement on free trade and to reduce the burden on these negotiations. The European Commission can offer advice and help to the GCC for the installation of its regional institutions. Especially the exchange of experiences about the best practices seems to be useful as well as acceptable to the actors in the region.
- It is logical to expand the partnership with a more intensive and regular dialog on security issues. A cooperation of NATO with the GCC states (actually all but Saudi Arabia and Oman) in institutionalised form can bring about a first consolidation of confidence building. One important actor in the region – Turkey – is already member of NATO.
- As a medium as well as long term perspective the international community should not loose track of the sub-regional form of cooperation 6+2+1 (the Gulf Cooperation Council with Bahrain, Qatar, Kuwait, Oman, Saudi Arabia and United Arab Emirate, Iran and Iraq, and finally Yemen). It is remarkable that experts from the GCC states consider the cooperation of Yemen, Iraq and maybe even Iran on matters like education, health, work, and infrastructure as useful. In case that the wish for regional cooperation is voiced from the region, external actors (like the USA, the EU, the UN, China, Russia, India, and Japan) should present themselves as mediator and supporter.

2 Conclusions Country by Country

2.1 Iraq

- Furthermore, fixing a date for the withdrawal of the American troupes from Iraq seems reasonable. Such a date would put pressure on Iraq groups, it would prevent further broadening of chaotic situations and take over responsibility for the future of the country and the security. In addition it would put pressure on the neighbours of Iraq, prevent spill-over of terror and civil war to their own countries, and engage for a structure of regional stability.
- Regional approach toward Iraq: in order to stabilize Iraq and to prevent negative spill-over effects it is necessary to set up a proper regional cooperation with all neighbours of Iraq (Iran, Jordan, Saudi Arabia, Syria, Turkey) as well as with the regional organisations (League of Arab States, GCC, Organization of the Islamic Conference) and all social groups of the country. To achieve this objective regular meetings on the highest level would be helpful. Thus, the meeting of high-ranking officials in Baghdad in March and the meeting of the foreign ministers in Sharm El-Sheikh in May 2007 were a beginning. This framework for dialogue should be institutionalized and continued on a regular basis, preferably on the level of foreign ministers. In order to avoid discussions about the venue as has happened before Sharm El-Sheikh, the EU should offer Brussels for these meetings.
- All political and ethnic groups of Iraq should participate in a righteous and fair way in the allocation of the revenues of oil export and in the building of central institutions of the federal government and the security apparatus – an important key to national reconciliation. The engagement of the League of Arab States and of the religious authorities in Mecca can be helpful in order to promote the reconciliation of political opponents and religious currents. In view of growing religious tensions, a secularisation of political thinking and acting would, however, be desirable, but this is not to be expected for the near future.
- Because of the suffering of the Iraqi population and the limited European means to help them, we recommend an explicit statement of solidarity by the Europeans to the Iraqi people.

2.2 Iran

- The American-Iranian confrontation holds at the moment the biggest explosive force in the Gulf region. The international community has an interest to explore all political options to restore active diplomatic relations between the two opponents. There is a chance that Iran will exchange its strife for nuclear arms in a “grand bargain” for American guarantees of its regime and its security in the region. Rationally the conflict can be solved, but emotionally the obstacles for a rapprochement are extremely high. Therefore, the forum “Iraq plus its neighbours plus the international community” or the bi-lateral consultations on the level of ambassadors which started in Baghdad in June 2007 are options to prepare the ground for regular direct talks on a high level between the US and Iran.
- Sustainable promotion of civil-society structures requires the context of a political détente and of economic opening (adherence of Iran to the WTO). It seems reasonable to continue the dialogue on human rights also in this context.
- Until that happens, the international community should confront the Iranian government with a mix of incentives and pressure. As Japan, South Korea, China, India, and Indonesia are the

principal customers for Iranian oil and gas these states should be integrated, together with the member states of the GCC, into the efforts of UN-Security Council and Germany to isolate Iran.

- The EU should persist in pursuing its dual-track strategy on Iran – support of the restricting measures of UNSCR 1747 and continuation of the efforts for a negotiated solution. The member states of the EU, however, should agree at an early stage as to how to react in case of a military attack on Iran.
- The year 2009 in Iran will be dominated by parliamentary and presidential elections. President Ahmadinejad will try to improve his chances for re-election by provoking the West time and again. Therefore, the West should apply instruments like sanctions and pressure in a targeted and cautious manner. Occasionally, the West will have to be patient in order not to play into the hands of the radicals.

2.3 Saudi Arabia

- Europe could contribute to advance the transformation process by intensifying the dialog with reform-oriented forces in Saudi Arabia.
- Enhancement of political participation only will not be sufficient. In addition, political education and a socially fair allocation of economic growth can contribute to the reduction of religious motivated fundamentalism.
- The Europeans should – also within the frame of the Quartet – support the engagement of Saudi Arabia regarding a constructive role in the region, such as Riyadh's efforts together with Tehran to prevent an escalation of the government crisis in Lebanon and the Saudi Arabian initiatives to implement the vision of peace of the Arab League to solve the conflict with Israel. The Palestinian government of national unity mediated by the kingdom of Mecca has failed and this failure demonstrates that even the influence of the Saudis is limited. However, Riyadh should be asked to continue its efforts in order to strengthen the moderate groupings within Hamas.
- Saudi Arabia is the most promising market in the Gulf region, but still quite difficult to develop. An exchange on actions as to how to facilitate accession of the market – especially designed for the needs of small and medium sized enterprises – seems useful.
- As Saudi Arabia will continue to chair the Gulf Cooperation Council (GCC) until the end of 2007, the Portuguese Presidency of the EU should be encouraged to finalise the EU-GCC agreement on free trade zones.

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Additional contributions, analyses and policy recommendations are to be found in continuative strategy papers and discussion papers of the project "Europe and the Middle East". Please check on the websites of the project partners (<http://www.bertelsmann-stiftung.org/europe-middleeast> and <http://www.cap-lmu.de/>).

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