

Greater Middle East: Managing Change in Troubled Times?

Stretching from North Africa to Turkey and the Persian Gulf, the Greater Middle East is undergoing transition. Trouble may lie ahead. The proliferation of weapons of mass destruction (WMD) and other new challenges are arising. Additionally, diplomacy in the region is reverting to pre-Gulf War practices.

Strategic Assessment 1995 noted two optimistic trends in the Middle East. Arabs and Israelis seemed to be resolving their long-standing confrontation, and dual containment appeared to be working with respect to the two regional rogue states, Iraq and Iran. However, *Strategic Assessment 1995* also determined that emerging security concerns were causing governments to seek WMD and long-range ballistic missile systems. It saw most governments running the risk of becoming a “failed state” because of internal challenges, which included inept leadership, succession crises, economic weakness, and confrontations with resurgent Islam. This last did not come to pass.

Relatively few changes in leadership have occurred over the last 20 years: heads of state were assassinated in Israel and Egypt, Iran experienced revolution, Yemen suffered a civil war, and a military takeover occurred in Sudan.

While all states must deal with regime change, most will be the result of natural causes and with succession already agreed to by the ruling elite. Virtually all Muslim governments, whether Islamist or secular, have learned from Algeria’s painful lessons and are checking the expanding power of Islamist leaders in not their popularity.

The region has been relatively stable. The last major Arab-Israeli military confrontation occurred in 1982, although military actions frequently occur in southern Lebanon between Israel’s surrogate Army of South Lebanon and Hizbollah militants. Iraq twice invaded neighbors, but most regional states have resolved border disputes and other tensions more amicably.

Despite the region’s optimistic longer term indicators, *Strategic Assessment 1999* is relatively pessimistic about the near term. A failed or stalled peace process could lead to conflict. In May 1999, Palestine Authority leader Yasser Arafat promised to declare a Palestinian state, and former Israeli Prime Minister Benjamin Netanyahu threatened to end the peace process. While the crisis was defused in the near term, the issue of a Palestinian state remains volatile. Maintaining sanctions against Iraq is becoming more difficult as Gulf



AP/Wide World Photos

U.S. Patriot antimissile battery deployed in Kuwait City during the confrontation with Iraq

War coalition partners lose interest. Indian and Pakistani nuclear tests in 1998 complicated non-proliferation in the Middle East. Additionally, evidence that Iraq is seeking to develop WMD continues to surface. Iran is also pursuing WMD.

Several possibilities hold serious implications for U.S. policies, particularly if fears regarding them are realized. New rulers may perceive threats and self-interests differently. Israel and the Palestinians may not continue their dialogue. A resurgent Iraq or a self-serving Iran could threaten regional political stability and access to energy resources. Regional resentment of the United States could grow, if the world's only superpower tries to take the region where it does not want to go.

Key Trends

In the early 1990s, three events transformed the Middle East region. These were the collapse of the Soviet Union, resumption of the Arab-Israeli peace process at Madrid in October 1991, and the coalition victory in the 1991 Gulf War.

The first two developments caused Moscow's demise as a major power broker in the Middle East and the U.S. emergence as the sole superpower in the region. This began a shift in the strategic relationships that had shaped the region's political and military alliances for decades. Combined with these developments Saddam Hussein's defeat by the Western and Arab coalition, gave hope that a new political and security architecture for the region would be

created. This architecture, it was assumed, would encourage regional cooperation, support the peace process, slow the quest for more sophisticated weapons systems, and isolate Iraq and Iran.

These hopes were short lived and another transformation has begun. It will probably return the region to where it was before the Soviet Union collapsed, the peace process advanced, and Iraq invaded Kuwait. Once again, regional states are changing their perceptions of the threats they face and the kind of security architecture needed to secure national interests. They are revising their views regarding Iraq and Iran as threats; Iran's more positive foreign policy after President Mohammad Khatami's election; U.S. military presence as the primary defense against external threats; and Turkey and Israel's growing cooperative alliance, which could reshape regional security alignments.

Most regional states are coping with what they see as major threats—hard-line religious extremists, weak economies, and potential social disorder. Consequently, they are resorting to traditional security strategies. These include more lip service to Arab and Muslim solidarity. For oil-rich Arab states of the Gulf, it means returning to the kind of dollar or riyal diplomacy they believe once protected them from more dangerous neighbors.

These changes are pressuring the United States to reshape its activities in the Middle East. Confrontations with Iraq after the Gulf War resulted in redeployments of U.S. and European

Greater Middle East Economic Indicators

	Gross Domestic Product (GDP) (b\$)	GDP per capita (\$)	GDP Real Growth Rate (percent)	Labor Force (thousands)	Unemployment Rate (percent)
Algeria	115.9	4,000	4.00	7,800	28.0
Tunisia	43.3	4,800	7.10	2,900	16.0
Libya	34.5	6,750	2.20	100	NA
Egypt	183.9	2,900	4.90	17,400	9.4
Israel	85.7	16,400	4.60	2,200	6.5
Jordan	20.9	5,000	5.90	600	16.0
Lebanon	13.0	3,400	3.50	1,000	20.0
Turkey	379.1	6,100	7.00	21,300	6.3
Syria	98.3	6,300	5.20	4,700	9.0
Iraq	42.0	2,000	0.00	4,400	NA
Iran	343.5	5,200	3.16	15,400	>30
Saudi Arabia	205.6	10,600	6.00	6,000	6.5
Kuwait	32.5	16,700	3.00	1,000	1.8
Bahrain	7.7	13,000	3.00	140	15.0
Qatar	11.7	21,300	2.50	233	NA
United Arab Emirates	72.9	23,800	1.40	794	NA
Oman	20.8	9,500	6.50	454	NA
Yemen	39.1	2,900	2.80	NA	30.0

Source: *CIA Factbook*, 1997, www.odci.gov/cia/publications/factbook.

military forces; the coalition's remnants prepared for renewed military action against Iraq. European and Middle Eastern governments that were part of this coalition agree that Hussein has not complied with UN Security Council resolutions. However, they are increasingly uncomfortable with policies urging military action and concerned that U.S. interests are not well aligned with their own needs.

Domestic Stress Challenging Regime Stability

Middle Eastern governments have shown remarkable political stability. Most countries have not changed regimes in more than 20 years. The rising generation has known only the ruler in

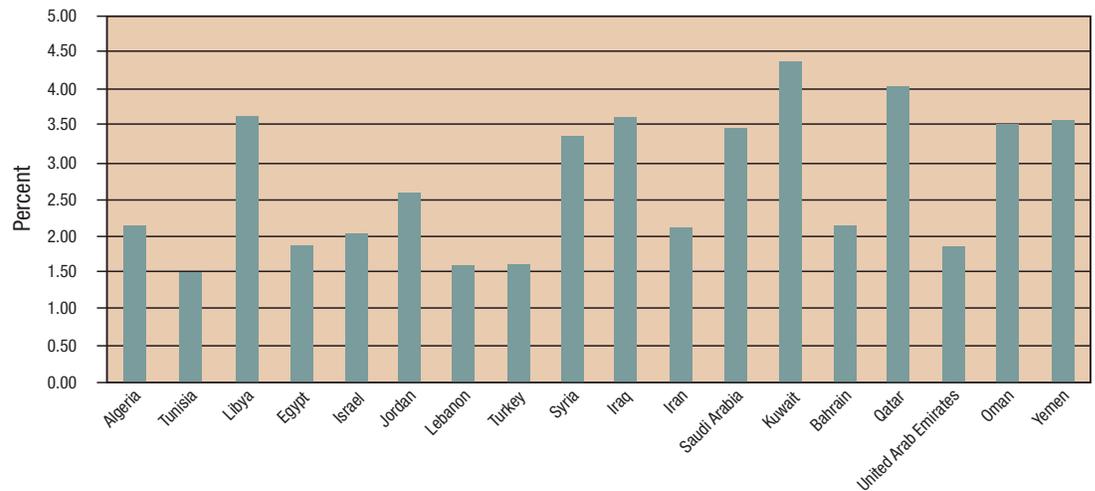
power. King Hussein I ruled Jordan from 1952 until his death in February 1999. King Hassan II ruled Morocco from 1961 to his death in July 1999; and Sultan Qaboos bin Said has ruled Oman since 1970. Muammar Qadhafi has ruled Libya since 1969; Hafiz al-Assad has ruled Syria since 1971; and Saddam Hussein has ruled Iraq since 1968. The same families have ruled Saudi Arabia and the Gulf States for much of the 20th century. While assassinations in Egypt and Israel have occurred, they did not change these countries' basic political structure. Iran was the only regional country to undergo revolution the last 20 years, and it has changed leaders through elections.

The region has begun transferring power from a generation that fought and lost wars with Israel and witnessed their countries' transformation from poor to rich. Many rulers in the region are aged and ailing. While the impact of a change in rulers is always a concern, the issue of successors is not a major problem at present. Succession in most states has been determined by family or party consensus following established traditions. However, some successors are the same age generation as the current ruler. Crisis is more likely to occur when the generation of leaders changes. A new leader may be unable to implement his predecessor's policies and balance the demands of powerful interest groups, such as the military, religious institutions, and tribal elements.

Several trends provide disturbing indicators for the region. The demands for greater popular participation in government decisionmaking are growing. Population growth is increasing rapidly. And economic systems no longer can provide the subsidies or safety nets that have sustained rich and poor societies. Among the disturbing trends are:

- *Growing dissatisfaction with corrupt and inaccessible rulers.* Most Middle Eastern rulers are 60 to 70 years of age. Half the populations are under the age of 20. Except for Israel and Iran, most states have authoritarian regimes, or at best, limited democracies. Out of 19 regimes, the military plays a prominent role in nine. Two rulers claim "divine right" as descendants of the Prophet Muhammad—King Abdullah II of Jordan and King Mohammed bin Hassan of Morocco. Even states with parliaments—including Egypt, Jordan, and Kuwait—have groups that complain about the government's lack of accountability and transparency. All governments in the region are experiencing increasing pressure to reform. This includes more meaningful

Population Growth Rate



Source: CIA Factbook, 1997, www.odci.gov/cia/publications/factbook.

political participation by allowing elections, more political parties, or greater representation on consultative councils. Failure to respond to these demands could erode political legitimacy of regimes in several countries.

- *Demographic growth outpacing economic growth.* Middle East populations are expanding rapidly, with the average annual growth rate between 3.2 and 7 percent. If growth continues at these rates, populations in most countries will double by 2015. Egypt and Iran could reach 100 million each. Half the population in these countries is under 20 years of age. Rising unemployment or underemployment is common, especially among 20- to 40-year old males with some education and training. Many have never held a job. Official unemployment rates are 15 percent in Egypt, Morocco, Tunisia, and Iran; 20 percent in Algeria and Jordan; and 25 percent in Lebanon and Yemen. Actual figures are likely higher.

- *Declining economic performance challenging regime legitimacy.* The region has drifted from a dynamic to a stagnant economy. From 1960 through 1985 the Middle East outperformed all other regions except East Asia in economic productivity, income growth per capita, income distribution, life expectancy improvements, school attendance, and literacy rates. These successes reflected high oil prices, small populations, and a less competitive world market. Many states in the region could provide citizens with generous safety nets.

In 1986, oil prices collapsed and real per capita income fell 2 percent annually. Today,

Middle East governments face stagnant economies and failing social welfare systems. In addition to flat oil prices, this is attributed to overspending, capital flight, increased competition, corruption, and governments reluctant to reform. The stress is evident even in the oil-rich Persian Gulf states. Citizens can no longer expect the privileges that the past generation enjoyed, which included no taxes, free loans, subsidies, free health care and education. To some extent this has occurred in Iran, Iraq, Libya, and Syria, as well. The gross national product (GNP) also declined over the past decade. Africa recorded a faster growth rate in the 1980s than the Middle East. A 1995 World Bank study noted that the region may be unable to compete in global markets. It lags in exports, labor productivity, and private investment, and debt is high even in the Gulf states. Iran, Saudi Arabia, and other Organization of Petroleum Exporting Countries (OPEC) members cut oil production, but it has had little impact on stagnant oil prices. The situation has improved somewhat. Asian energy demand remains down. Additionally, Iraq is allowed to sell \$10.4 billion in oil annually in order to buy food.

By contrast, more Western-oriented economies—like Israel, Egypt, and Tunisia—are doing well. After 1985, Israel implemented economic reforms that controlled inflation and the budget deficit, allowed greater economic flexibility, and encouraged high-technology industries. The result was extraordinary growth

in the mid-1990s, averaging 7 percent annually after inflation. Per capita income rose to \$16,000. Reform momentum has slipped as Israelis concentrate on peace process disputes. Economic growth in 1997 and 1998 fell to 2 percent and the same is likely this year.

After two decades of inaction, Egypt began serious economic reform in the mid-1990s. By 1996, the budget deficit was less than 1 percent of GNP and nearly all price controls were removed. In the following year, 27 state-owned firms were privatized. As a result, economic growth reached 5 percent annually after inflation. This could continue if the government pursues reforms.

- *The region's disappearing social safety net.* The state and the extended family can no longer be the support of last resort. Domestically, these oil-rich countries can no longer provide for their citizens' well-being. The oil-rich but labor-poor countries no longer will provide their poor Muslim Arab neighbors with subsidies and work, nor can they readily absorb the unemployed.

Challenged Regimes and Stalemated Peace

Most Arab countries have entrenched Islamist movements, legal and clandestine. Jewish ultra-orthodox movements are exerting greater influence on Israel's policies and its efforts to resume the peace process. Most governments are coping with these extremist challenges, but their methods could reap a bitter harvest.

- *Islamic activists gaining in popularity, but not power.* Islamic activists seek rule by religious law and a more religious government. They are gaining support for political reform, but losing ground in the quest for political power. Many in Turkey and the Arab world are attracted to Islamist calls for political accountability, social justice, Islamic law, establishment of an Islamic state, and elimination of foreign influence (usually directed against the United States). More extreme Islamists believe terrorism and violence are their only recourse, and advocate holy war to overthrow corrupt governments and establish an Islamic order. Governments blame extremists for Algeria's civil war, antigovernment violence in Bahrain and Egypt, and threats to a secular Turkey. More moderate Islamists in Kuwait, Egypt, Lebanon, Morocco, Jordan, and Turkey seek to gain power, shape civil society's institutions, introduce Islamic law and education, and monitor regimes through legal political parties and elected national assemblies. In these countries, Islamists have secured

seats in elective and consultative assemblies and won municipal elections.

Although Islamist factions in Middle East states have different agendas, they agree on two issues. First, they reject peace with Israel and oppose Israel's existence as a state. They believe that Jews cannot rule the Islamic community. They view the Oslo Accords as betraying Muslims' rights to Jerusalem and its holy places. Their second mutual concern is ending the sanctions against the Iraqi people; which often are described as a U.S. plot to weaken Iraq and the Arabs.

Arab governments have tried to counter the growth and influence of Islamist movements. Jordan and Morocco have been the most successful, in part because their rulers claim descent from the Prophet Muhammad. All states use accommodation, repression, and political control to contain if not eliminate Islamist opposition.

- *Accommodation.* Most governments try to co-opt Islamists by adopting some of their social programs and political goals. Mosques are built, public displays of piety are encouraged, and Islamic justice is applied in law. In Egypt, Islamic scholars determine whether laws conform with Islamic standards. Support is given to Muslims in Bosnia, Kashmir, and Central Asia. All Muslim governments, including Saudi Arabia and Turkey, attended Tehran's Islamic Conference in December 1997. Moreover, many government leaders, including those of Gulf states, are increasingly critical of U.S. policies. This ranges from criticism of perceived U.S. unwillingness to punish Israel for obstructing the peace process to refusing to support U.S. actions and opposing sanctions on Iraq.

- *Repression.* Most Muslim governments tolerate a degree of personal piety and Islamic politics. However, they deal harshly with Islamist activists they view as threatening their control. Tunisia, Libya, Egypt, Algeria, Syria, Oman, Bahrain, and Saudi Arabia are draconian in dealing with Islamist opponents. Those who are too publicly Islamist are watched closely. They risk losing their careers, especially in the military or civil government service. Those suspected of supporting moderate or militant Islamist causes are denied jobs and housing. Often they are arrested, interrogated, tried, and condemned to exile or prison. Members of such organizations as the Gama'at al-Islamiyyah in Egypt or the Armed Islamic Group in Algeria can receive prison or death sentences if implicated in terrorist activities.

Religious Groups of the Middle East



Religious Groups

 Christian	 Sunni Muslim
 Druze	 Shia Muslim
 Jewish	<i>ALEVI</i> Shia subject

Minor Presence

✝ Christian
★ Jewish

Holy Places

Baha'i	Sunni Muslim
✝ Christian	Shia Muslim
★ Jewish	Zoroastrian

Source: *Atlas of the Middle East* (Washington, Central Intelligence Agency).

● *Control.* Most governments limit access to the political process. Several pro-U.S. governments allow elections, parliaments, and a degree of transparency. However, they are finding that unrestrained democracy can work against their self-interest. Most countries ban religious oriented political parties. Algeria and Turkey canceled or postponed elections. Jordan has gerrymandered electoral districts. Egypt arrested Muslim Brotherhood leaders before elections and made municipal offices appointed positions to avoid Islamist victories. Governments see these actions as internal matters and assume they will

have U.S. support because of shared interests and commitments. Islamists see the United States as hypocritical in not supporting their quest for basic democratic values and constitutional safeguards. The United States meets with whomever it pleases but shies from dissidents who might disrupt relations with regimes supporting U.S. policies.

These government actions have limited the ability of legitimate Islamist groups to work within the system and expand their role in government. Turkey's military-dominated government banned the Islamist Refah Party and tried

Jordan's King Abdullah II and former Israeli Prime Minister Benjamin Netanyahu in Amman, Jordan



AP/World Wide Photos

its leader, Nejmaddin Erbakan, for sedition. In Jordan, the Islamic Action Party incurred the wrath of King Hussein I when they challenged his support for the peace process and accords with Yasser Arafat and Israel.

- *Extremism in Israel.* Israelis perceive extremism and terrorism as coming from the Arab Muslims within their borders, and from the Occupied Territories and Lebanon. They view Arab Muslims as a cheap labor force, but also a security risk. The Israeli Government once encouraged Islamic activism as a way to distract the Palestinians and weaken support for the Palestine Liberation Organization (PLO). Israelis did not worry about the violence inherent in Jewish extremist movements inside the country until Baruch Goldstein murdered 29 Muslims in a Hebron mosque in 1994, and a fanatic yeshiva student assassinated Prime Minister Yitzhaq Rabin in November 1995. Frightened also by Hizbollah and Hamas attacks, Israel concentrates on eliminating extremist threats.

Today, Israeli extremist factions use violence to defend Jewish rights. These include building in Arab East Jerusalem, expanding settlements in Judea and Samaria, settling in Arab-dominated

Hebron where the Tomb of the Patriarchs is located, and closing sections of Jerusalem for religious observance of the Sabbath. A few extremists demand the expulsion of all Arabs from the Land of Israel. While most Israelis are secular, many support the preservationist objectives of these extremists. They are deeply suspicious of Arabs, mistrust political parties and the peace process, and feel unsafe in a small Israel. Following Prime Minister Rabin's assassination, Israeli security officials acknowledged prior warnings of such threats, but had mostly paid attention to Arab extremists. An Israeli killing a Jewish leader was not anticipated.

Israeli society is in transition. The composition of the Jewish population is changing. Russian and other recent immigrants do not share the religious or secular vision of the original Zionist generation. The threat of war and initial success in the peace process kept strains within Israeli society in check. But in the past several years, the character of Israeli politics and society has changed and the basic Zionist vision that guided policy during Israel's first 50 years may also have changed. Extremism's growth is due more to the decline of external threats. When Israel

faced serious security threats, few Israelis risked challenging government policies.

Jewish extremism shatters the Israeli ideal of a homogeneous society with shared beliefs, values, and fears. In reality, Israeli society is divided by religious, ideological, economic, political, cultural, and ethnic differences. The divisions occur between the secular majority and the Orthodox minority; the Likud-led political right and the Labor-dominated left; the Ashkenazim (Jews from Europe) and the Sephardim (Jews from the Middle East); and the Zionist generations and new Russian immigrants, who profess no interest in fighting for land or religion. The ability of the *haredim*, the ultrareligious, to influence government policy toward settlements and define who is a Jew has shaken Israeli politics and disturbed relations with overseas Jewry, most of whom are not Orthodox.

- *Will the peace process end?* The promise of peace began with the October 1991 peace conference in Madrid, the September 1993 Declaration of Principles between the PLO and Israel, and the July 1994 accord between Israel and Jordan. It seemed to end with Prime Minister Rabin's assassination in November 1995 and the election of Likud Party leader Benjamin Netanyahu the following year. Syria would not talk, and Israel was entrenched in Lebanon. Israel has offered to withdraw in accordance with UN Security Council Resolution 425 if the Lebanese Army assumes control of southern Lebanon. It is unlikely that the thorny issues of Jerusalem, Palestinian refugees, and Israel's final borders will be resolved in 1999. Improved Arab-Israeli relations were expected to bring prosperity to the region, but that has not happened. Israel and Jordan have economic agreements, but little trade occurs between Israel and Egypt and other Arab states. A 1997 economic conference in Doha to further economic ties between Israel and Arab states failed because of the stalemated peace negotiations.

Actions by Netanyahu's government and Arafat's Palestine Authority threatened negotiations in 1998. Netanyahu pursued an aggressive settlement policy in order to retain the West Bank, reallocated resources to build infrastructure, and gave settlers financial incentives at the expense of other social programs. He also tried to change the Oslo process and lower Palestinian expectations.

Progress in transforming the Palestinians from a liberation organization to a governmental one has been uneven. Relatively fair elections for the Palestinian Legislative Council were held in

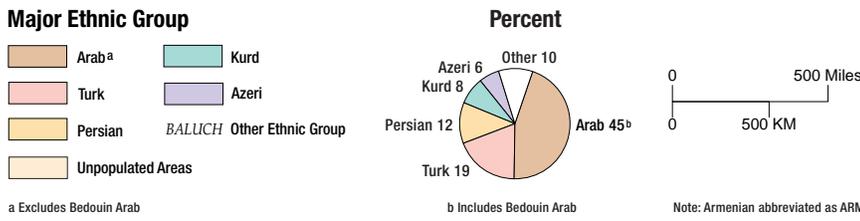
1996. However, Arafat's close associates continue to be accused of human rights abuses and corruption. No successor has been determined for Arafat, who is 69 and in poor health. Unemployment remains high, and the police are the largest single employer. Economic investment in Gaza has not materialized, although the Wye Agreement allows the Palestine Authority to open an international airport.

The most contentious issues between Israel and the Palestine Authority are security policies, promised Israeli withdrawals from West Bank territory under the Oslo Accords, Palestinian refugees, and Jerusalem's status. Security concerns affect all issues between the two. Palestinian extremists seek to attack Israelis, while extremist Israeli settlers seek to prevent the transfer of land to the Palestine Authority in the West Bank. The Palestinian terrorist organization, Hamas, has roots in Gaza and is led by Sunni cleric Shaykh Yassin. It is supported by Palestinians dependent on the fragile economy and frustrated by slow progress in the peace talks. However, Hamas loses support when progress seems imminent. In the past several years, Hamas has conducted terrorist operations in Israel. Israel constantly pressures the Palestine Authority to arrest and contain Hamas, which it occasionally does.

Palestinians accuse Israel of trying to Judaize Jerusalem by altering demographics before final talks. Jerusalem is 70 percent Jewish and 30 percent non-Jewish, mostly Arab. Planned expansion would further increase the Jewish population. The right of some Arab residents to live in Jerusalem also is being challenged. Israel accuses the Palestine Authority, and particularly Arafat, of allowing terrorists inside their territory. It insists the Palestine Authority change the PLO Charter, which calls for Israel's destruction. Arafat claims this change was made in a letter to Washington. Israel also wants the Palestine Authority to collect weapons and cut the number of police it employs.

The Palestine Authority's well-being is at risk if the peace process is prolonged. Arafat has been weakened politically by the stalemated peace process. He vowed to declare a Palestinian state in May 1999, if only to give the Palestinians a sense of accomplishment. Netanyahu claimed this would abrogate the Oslo Accords and threatened to "do whatever is necessary" to protect Israel. His measures would have included deploying troops to protect West Bank settlements and

Ethnic Breakdown of the Middle East



Source: *Atlas of the Middle East* (Washington, Central Intelligence Agency).

annexing portions of the West Bank promised to the Palestinians under the Wye Agreement. The recent election of Ehud Barak in Israel could reverse the negative trend in the peace process. There are indications, for example, that renewed negotiations between Israel and Syria could begin soon. At this writing, Barak is forming his cabinet. However, his freedom to negotiate may be constrained.

Diplomatic Realignments and Weapons Proliferation

Strategic Assessment 1995 noted that regional fragmentation would make a stable security framework unlikely. In 1999, that fragmentation does not appear as deep or divisive. The region's Arab states will not form meaningful strategic alliances, but they are moving toward an informal solidarity like that of the 1960s and 1970s when

Arab unity was an important slogan. Several trends are encouraging dialogue between Arabs and Iran. These include common threat perceptions, the prospect of a more moderate Iran resuming bilateral relations with most regional states, the near collapse of the peace process, the perception of U.S. inconsistency in dealing with Israeli intransigence, sympathy for the Iraqi people suffering under sanctions, and Israel's growing security cooperation with Turkey. Regional security dialogues are being conducted with renewed interest, particularly as governments acquire more sophisticated weapons systems, such as long-range missiles with bacteriological, chemical, and even nuclear warheads capability.

The region's states are resorting to traditional alliances and diplomatic cooperation to ensure regional stability. These include the use of economic aid—the so-called "riyal diplomacy"—and accommodating the strongest country in order to create a balance of power, however uneasy it may be. Egypt, Syria, Iran, and eventually Iraq may seek to reassert themselves in regional politics, while trying to acquire WMD.

In planning for this balance of power, most Middle Eastern governments tend to think reactively, not proactively. They forget about Saddam Hussein's Kuwaiti invasion and threats to Saudi Arabia and UAE. Nevertheless, their security agendas will be shaped by dangerous neighbors, such as Iraq and Iran.

Several regional groups are emerging. Mediterranean countries, such as Israel, Jordan, Egypt, Morocco, Tunisia, and Mauritania, are linked informally to NATO and the European Union. Although they are not members of NATO or the European Union, they enjoy special status within these organizations and participate in trade and security talks.

The Gulf Cooperation Council, composed of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman, continues to function as an important forum for debating economic, diplomatic, and trade policies. It will not adopt a NATO-style approach, but it conducts joint military exercises and discusses creation of a regional military force.

The North African states—Algeria, Tunisia, Morocco, Mauritania, Egypt, and Libya—share information and cooperate regarding mutual threats from Islamic extremists.

Baghdad and Damascus have restored economic ties, although President Assad remains

**Former Israeli Defense
Minister Moshe Arens
inspecting troops**



wary of Hussein's ambitions and quest to replace Assad as a leader in the Arab world. Assad's concern over Turkish-Israeli encirclement and Hussein's need for regional support to break sanctions will keep them in an uneasy and temporary relationship short of diplomatic ties.

The most interesting development is the return of Iran to Gulf political and security discussions. Once a pariah because of revolutionary and subversive threats in the Gulf, Iran is increasingly regarded as a key player in re-establishing the region's balance of power. Two factors have made this possible: the election of Iranian President Mohammad Khatami, and Saudi Crown Prince Abdallah's assumption of more control from the ailing King Fahd.

To improve its regional respectability, Iran has made bold diplomatic moves. Tehran continues to pursue advanced weapons systems, including long-range missiles and nuclear technology. Additionally, it has improved relations with

Iraq, through prisoner exchanges from the 1980–88 conflict, allowed pilgrims to travel to Iraq's Shia shrines, and helped Baghdad smuggle oil and gas out of Iraq. In December 1997, Tehran hosted its Organization of Islamic States Conference, enabling diplomatic relations with Saudi Arabia and the smaller Gulf states. Iran also is improving ties with Jordan and Egypt.

This changing behavior suggests Iran is redefining its security policy and strategies. Iranian foreign policy under former President Hashemi Rafsanjani was one of strategic ambiguity. Khatami's policies represent a continuation of Rafsanjani's actions; however, Khatami's personalized style and lack of reticence indicate he will try openly to shift national security policy to his control and raise the level of foreign policy discourse. Many specialists see new trends in Iranian foreign policy. They see it reflecting traditional, prerevolutionary goals and values, including a strong commitment to national sovereignty, regional assertiveness, and a varying degree of friction with the United

Defense Spending by Middle East Countries

Military Expenditures (in millions, U.S.\$) based on 1995 exchange rate

Country	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Iran	12,190	10,860	8,893	9,307	8,654	5,410	6,333	5,586	4,191	3,442	4,695
Iraq	21,290	22,890	15,740	16,210	9,698	NA	NA	NA	NA	1,277	1,250
Israel	8,421	7,740	7,693	8,237	6,233	8,320	7,812	8,376	8,734	11,202	11,143

Sources: *The Military Balance 1998-1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999), and *World Military Expenditure and Arms Transfers* (Washington: Arms Control and Disarmament Agency, 1998).

Size of Armed Forces, 1995

Country	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Iran	654,500	604,500	604,500	504,000	528,000	528,000	473,000	513,000	513,000	513,000	518,000
Iraq	1,000,000	1,000,000	1,000,000	1,000,000	382,500	350,000	382,000	382,000	382,500	382,500	387,500
Israel	141,000	141,000	141,000	141,000	141,000	175,000	176,000	172,000	172,000	175,000	175,000

Sources: *The Military Balance 1998-1999*, International Institute for Strategic Studies (London: Oxford University Press, 1999), and *World Military Expenditure and Arms Transfers* (Washington: Arms Control and Disarmament Agency, 1998).

States. The first two represent traditional Iranian national interests that transcend the Islamic republic and the Shah's regime. Some might argue the same for the third as well.

All three are permanent characteristics of Iranian foreign policy. They have clear implications for the Arab states of the Gulf and the broader Middle East region. If national sovereignty is more important than Islamic revolutionary goals, Iran may not make concessions about its claimed territorial possession in the Gulf, the islands of Tunbs and Abu Musa. If bilateral relations take precedence over supporting Islamic causes, then Tehran may not support Shia dissidents in exchange for recognition by Riyadh, Manama, and Kuwait. Supreme Guide Ayatollah Khamenei, Iran's spiritual leader, still sees himself as the protector of Muslims worldwide. Whether he and other Islamic hard-liners will refrain from supporting extremist causes in the future is uncertain. Tehran's relations with Baghdad are likely expedient, short-term policies. Iran cannot afford another major confrontation with Iraq but probably assumes that it could occur.

As in other countries in the region, a new generation of Iranian elites favors cultural diversity and openness to the outside world, especially the West. They face opposition from hard-liners who use their control over revolutionary and governmental institutions to ensure anti-Western

policies. Who will triumph in this struggle is uncertain. Either way, alliances with the Gulf Arabs will be temporary. Most Iranians do not trust the governments on their borders and look outside the region for more reliable support.

Other Changes in the Region

- *Evolving perception of Israel.* Usually viewed as the usurper of Palestinian land and an ideological threat that must be destroyed, the new Iranian debate describes Israel as a regional competitor as well as repressor of Palestinian rights. Military and political analysts focus on Israel's role in the regional balance of power, including its nuclear ambitions. Because of this and Iran's sense of regional isolation, many analysts believe it unlikely that Iran will abandon its pursuit of nuclear technology or nonconventional weapons programs. Israeli-Turkish cooperation has alarmed Tehran, which could look to Syria, Greece, and Armenia to offset the perceived threat.

- *Improving relations with Europe without undermining Iranian sovereignty.* Khatami's efforts to elevate the Foreign Ministry over the military and security institutions involved in foreign "actions" should help Europe's policy of critical dialogue.

Iraqi military police on patrol

AP/Wide World Photos

● *Re-establishing relations with the United States.* This may be the direction Khatami and his reform movement want to go, but it will be difficult to do. Iranian hard-liners in the government and clerical councils remain opposed to the “Great Satan” and rail against Western cultural intrusions.

Israel’s Changing Defense

In 1993 Foreign Minister Shimon Peres described the changing threat Israel faced following the Cold War. Israel traditionally dealt with “the tank” threat, the conventional military threat posed by its neighbors. Today, it faces threats from “the knife” (terrorism), missiles, and WMD.¹ These changes affect Israel’s threat perception, military doctrine, and defense policy. Israel sees Iran’s quest for more sophisticated conventional and nonconventional weapons as its major threat. Israeli security officials also anticipate increased risk of war with Palestinians and Arab neighbors should the peace process fail.

Some security analysts predict major changes in Israeli thinking about defense. They see technological, strategic, economic, and social

forces that will make Israel’s traditional approach to national security obsolete. The predicted changes in Israeli defense include abandonment of universal short-term military service; longer periods of service; more career-oriented, technical professionals; a force structure that trades quantity for quality; and a force that emphasizes tanks less and long-range air and naval capabilities more. Analysts predict Israel’s strategic doctrine will focus on defensive and counteroffensive operations rather than offensive operations; pursuit of regional or near-regional partners, such as Turkey; and military operations that destroy enemy forces rather than seize territory. Finally, the Israeli Defense Force will no longer be the “school of the nation”—the means by which immigrants are assimilated into Israeli society.

A significant development is Israel’s deepening strategic partnership with Turkey. Discreet friends for years, ties between the Turkish and Israeli militaries became open in the last 2 years. The leaders have made widely publicized visits and are expanding military, intelligence, and trade cooperation. The agreements include military training, combined exercises, intelligence exchanges, upgrades for Turkish F-4 aircraft, and co-production of air-to-ground missiles. The

Humvees equipped with anti-aircraft missile launchers in Fort Stewart, Georgia, destined for the Middle East



arrangement offers Ankara a source of sophisticated weaponry it fears the West and the United States could withhold as Turkey seeks to upgrade its military.

The openness of Turkish-Israeli relations raises concerns among other countries that this cooperation is a defense alliance. Syria complains of encirclement, and Egypt and Iran decried Muslim Turkey's support for the Netanyahu government. Israeli military training could improve Turkey's capabilities, if Russian ground-to-air missiles are installed in Cyprus or Crete. Turkey allows Israel to exercise near hostile countries, like Iran.

High Interest in WMD

As in other regions, Middle East arms sales have declined since 1985. However, it remains the world's largest arms market. According to a 1996 U.S. Arms Control and Disarmament Agency report, world military spending fell from an all-time high of \$1.36 trillion in 1987 to \$864 billion in 1995, a 34 percent decline. Middle East military spending declined from a high of \$100 billion in 1991 to \$49 billion in 1995. While this is about half of what it was during the 1991 Gulf War, it is only an 18 percent drop since 1985.

In 1995, the Middle East's share of the world arms market was 43 percent, up 5 percent from 1985. The region's arms imports were \$13.8 billion in 1995. According to the International Institute for Strategic Studies, Saudi spending accounted for one-third of the region's arms expenditures, while Israeli spending was one-fifth. Egypt had the largest increase, up \$772 million. Israel was next, with a \$358 million increase. Kuwait had a \$342 million increase. These increases resulted from the delivery of orders made after the Gulf War. In the same time, expenditures by Iran fell \$1.4 billion; Saudi Arabia, \$420 million; the United Arab Emirates, \$290 million, and Syria, \$156 million. Arms purchase agreements declined for the rest of the decade. They hit a decade low of \$5.6 billion in 1995, less than half that recorded in previous years.²

The United States is the Middle East's primary supplier, providing \$18.4 billion in weaponry from 1993 through 1995, according to the U.S. Arms Control and Disarmament Agency report. This represented about half the regional arms purchases, and 43 percent of total U.S. sales. The largest U.S. trading partners were Saudi Arabia (\$100.1 billion), Egypt (\$4.1 billion), Israel (\$1.7 billion), and Kuwait (\$1.6 billion). The United Kingdom is the second largest supplier, with 31 percent of sales. France and Russia supply most of the remainder.

Arms Imports, 1993–95

Country	Growth Rates	1995 Imports
Algeria		
Bahrain		
Egypt	+16 percent	\$1.9 billion
Iran	-37 percent	270 million
Iraq		
Israel	-15 percent	340 million
Jordan	+8 percent	70 million
Kuwait	+5 percent	900 million
Lebanon	+75 percent	
Libya		
Mauritania		
Morocco		
Oman	+112 percent	460 million
Qatar		
Saudi Arabia		8.6 billion
Syria	-52 percent	
Tunisia		
Turkey		
UAE	+19 percent	
Yemen	+85 percent	

Source: *World Military Expenditures and Arms Transfers* (Washington: Arms Control and Disarmament Agency, 1996).

Countries in the region have experienced dramatic changes in weapons spending over the past decade. Syria saw a major drop in purchases, while Saudi Arabia and smaller Gulf States significantly increased their purchases. Iraq's defeat in the Gulf War affected its expenditures. Iran's spending has been hampered by high costs, declining oil revenues, and the UN embargo, which has prevented the transfer of high-quality European and American weapons.

As *Strategic Assessment 1995* noted, the Middle East has seen arms races before. What is disturbing is the increased interest in WMD. Governments are seeking them as weapons of choice

because of security concerns, threat perceptions, and cost. The following factors are contributing to the interest in WMD.

- *Affordability.* Few governments can afford conventional military modernization. New weapons are expensive, and few are able to bid for high-tech hardware. The cheap payment terms of the Cold War are no longer available. By contrast, chemical and biological weapons are relatively cheap, and more states are acquiring long-range missiles for delivery.

- *Availability.* Nuclear technology, fissile material, WMD infrastructure, and delivery systems are readily available, clandestinely and overtly.

- *Ease of development.* The Non-Proliferation Treaty (NPT) is not seen as a deterrent to nuclear weapons development even for signatories. Iraq was able to mask its nuclear programs for years without incurring sanctions. India and Pakistan conducted nuclear tests in 1998 despite the threat of sanctions and international opprobrium. Such cases will encourage other states to acquire nuclear weapons capabilities, particularly Iran and a post sanctions Iraq. Iran and Arab states are also concerned about Israel's reported nuclear stockpile and its modernized delivery capability.

- *Force multiplier.* The use of chemical weapons in the Iraq-Iran war was a major contributor to Iran's defeat.

- *Prestige.* Many regimes view WMD as a way to enhance credibility and influence in regional and international affairs. They can also divide coalitions and intimidate neighbors.

- *Countering other countries' WMD.* Israel may be a reason for Arab and Iranian acquisition of WMD, but it is not the primary reason. Desire for WMD may be based on the assumption that these weapons will be acquired by other neighbors: Iran-Iraq, India-Pakistan, Egypt-Libya. It's also based on the possibility that a country may fight alone in its next confrontation.

Most Middle East governments are seeking WMD and missile capabilities. Nuclear weapons were and will be a priority for Iraq, with or without Hussein. Iran will continue to pursue nuclear weapons. Syria, Libya, Iran, Egypt, Israel, and Saudi Arabia are suspected of possessing or developing chemical weapons. UNSCOM inspections in 1998 revealed that Iraq had weaponized Scud missiles with VX nerve gas, although they were not deployed during the Gulf War. Saudi

Arabia, Syria, and Iran have, or seek to acquire, long-range missiles.

U.S. Interests

The United States has several critical interests in the Middle East. They are determined by economic, political, commercial, and strategic factors, and not all are complementary. These interests are threatened in the following manner:

- *Controlling proliferation of WMD—A menacing task.* The spread of biological, chemical, and nuclear weapons along with long-range ballistic missiles threatens U.S. interests in the region and is a primary focus of U.S. policy. The United States does not acknowledge the Israeli nuclear program but wants all regional states to support nonproliferation. Most regional states are relieved that Iraq has been stripped of many of its weapons systems. Iran, Syria, Libya, Saudi Arabia, Turkey, and Egypt will continue to view WMD as relatively inexpensive yet prestigious weapons. They can be used to project power as well as counter similarly armed neighbors.

- *The challenge of ensuring freedom of the seas and the free flow of oil.* Since the reflagging of ships in 1987, the protection of Persian Gulf shipping has been one of the primary justifications for the U.S. presence there. Although a relatively small percentage of its energy comes from the Gulf, U.S. protection helps ensure the uninterrupted flow of oil at stable prices to countries heavily dependent on Persian Gulf oil, such as Europe, China, and Japan.

- *The difficulty of protecting Israel.* The U.S. commitment to preserve Israel's sovereignty began with its founding in 1948. Israel has been reluctant to move toward the final stages of the peace process begun in Oslo. It has made its willingness to pursue peace contingent on security guarantees, financial appropriations, and acquisition of advanced military technology. Arab governments accuse Washington of favoring Israel over the Palestinians and increasingly question its ability to be an honest broker.

- *The complexity of maintaining a regional balance favorable to U.S. interests.* U.S. policy is focused on isolating and containing rogue states. This policy is supported by deterrence of aggressor states, diplomacy backed by military force, and economic and military sanctions, all aimed essentially at Syria, Libya, Iran, Iraq, and Sudan. Congress has strengthened this policy through legislation that imposes sanctions against some of

these states. However, these policies are unpopular in Europe and the region. These policies, coupled with a failed peace process, result in public as well as official criticism of the United States in the Middle East.

- *The difficulty of promoting political and economic liberalization.* The United States is criticized for supporting autocratic governments and ignoring the region's more democratic regimes. Few governments have experience in Western-style democracy or the interest in developing it. The United States has tried discreetly to encourage broader political participation in elective national assemblies, local government institutions, and expanded consultative councils. Saudi Arabia, Oman, Kuwait, Jordan, Morocco, Egypt, and Lebanon have expanded political participation in past years.

This delicate process must be balanced against extremism and domestic unrest. Few governments have acceptable human rights records. All rely on some form of repression and intimidation of political opponents as well as the denial of civil liberties. Reform often runs counter to the interests of entrenched ruling families and interest groups.

Consequences for U.S. Policy

In 1995, the United States had two goals in the Middle East. One was dual containment of Iraq and Iran: denying them WMD, ending their support for international terrorism; and preventing their regional hegemony. The second goal was to move the peace process forward. Ultimately, it was hoped this would normalize relations between Arab states and Israel, encourage economic cooperation, engage Syria in the peace process, and negotiate the status of Jerusalem, Palestinian refugees, and Israel's final borders. The United States was troubled by Algeria's civil war but followed Europe in seeking a resolution that would end the killing, restore Algeria's electoral politics, and prevent the spillover of refugees and terrorism to Europe. If the region experiences more intense political conflict in the future, the United States will be pressured to ensure security and stability and to devise new policies.

Secretary of Defense William Cohen with Saudi Defense Minister Prince Sultan bin Abdul Aziz in Riyadh, Saudi Arabia



AP/Wide World Photos

Effective Nonproliferation Policies

Nonproliferation has been a primary U.S. goal since the Cold War's end. Although Washington has been ambiguous toward Israel's nuclear programs, it has actively pursued nonproliferation. It has supported arms control initiatives, worked to prevent the transfer of former Soviet technicians and technology to the Middle East, and strongly supported international efforts to prevent construction of WMD facilities in several regional countries.

Governments in the region have not enthusiastically supported arms control initiatives. They learned several lessons from the use of chemical weapons, and threatened use of nuclear weapons in the two Gulf wars. They deplored Iraq and Iran's use of chemical weapons but saw that they could be successful against a highly motivated but less well-equipped enemy army. They saw that nuclear threats inhibit rogue states, like Iraq, and deter use of missiles with biological, chemical, or even nuclear warheads. They also saw it as beneficial to acquire their own systems before Iraq recovers.

U.S. and international nonproliferation efforts and arms control measures will continue to meet formidable obstacles, including:

- Arab and Iranian insistence that Israel sign the NPT and bring it under scrutiny of the International Atomic Energy Agency
- A conventional arms race, with the United States and Europe as the main exporters which conflicts with arms control programs and discourages international cooperation
- Long-standing territorial disputes or rivalries that encourage arms spending to ensure parity with a dangerous neighbor; examples include Iran-Iraq, Israel-Syria, and Israel-Arabs
- Perceptions that India and Pakistan will not face substantial international censure for their 1998 nuclear tests
- The failure of sanctions.

U.S. nonproliferation and arms control policies will face major challenges in the next decade. Regionwide proposals for arms control will not work if Israel is excluded from the debate. Iran's acquisition of WMD is almost certainly oriented toward its once and future Iraqi threat, not Israel. Nonetheless, Tehran's anti-Israel rhetoric will seemingly confirm Israel's claims that it is Iran's target. Other U.S. friends in the region are seeking long-range missiles and may be considering the nuclear option.

Given the U.S. strategic goal of “shaping, responding, and preparing,” Washington has reasons to balance its regional nonproliferation efforts with conventional arms transfers to key regional friends. The United States must determine how much its arms sales contribute to the arms race, or if there is a way the United States and other key exporters, namely Europe, Russia, and China, can ease this race.

Dual Containment and the Regional Balance of Power

Dual containment seeks to influence the behavior of Iraq under Saddam Hussein and Iran under its revolutionary regime. Sanctions have denied Hussein unfettered use of Iraq’s oil revenues, weakened his military, and made it difficult for him to rebuild his military or reconstitute his WMD programs. The U.S. military presence in the Gulf has also deterred Hussein from threatening his neighbors. However, containment and sanctions have not modified Hussein’s intentions, nor have they changed his aggressive nature, his regime’s brutality, or his desire to possess WMD.

Hussein began a concerted campaign to end sanctions and UN monitoring in mid-1997. He refused UNSCOM inspectors access to facilities and insisted on changes in the composition and scope of UNSCOM teams. Policy toward Iraq was refined after his 1998 challenges to UNSCOM, despite UN Secretary General Kofi Annan’s promise of cooperation, Hussein’s refusal to comply with UN resolutions to dismantle WMD programs, and his denial of access to inspectors. In December 1998, U.S.–U.K. forces conducted a 4-day bombing campaign against Iraq. A new version of containment resulted: if economic sanctions and UN inspections did not gain Iraqi compliance, then “containment plus” would. This coupled force with diplomacy. U.S. forces remain on high alert in the Gulf. It is not clear if Hussein will submit to UN supervision again, or if military force will be used again to try to compel compliance. The United States is cooperating more with his opposition; Congress passed the Iraq Liberation Act, providing \$97 million in aid to Iraqi dissidents. Radio Free Iraq began transmitting into Iraq. The United States has also stated its support for those opposing Hussein’s rule.

Containment has affected Iran less. It has discouraged foreign borrowing and some arms sales. However, the country’s poor economic performance and low oil prices have probably done more to dampen Iran’s ambitions to acquire new conventional and nonconventional weapons systems. Containment of Iraq succeeded because of international support for UN-imposed sanctions. Containment of Iran has lacked international support and therefore has been less effective. The United States seeks Iran’s isolation until Iran stops supporting terrorism, opposing the peace process, and trying to acquire WMD.

Conversely, Europe argues for engagement and has tried “critical dialogue” to influence Iran’s behavior. This policy has also failed, largely because Iran was not interested in dialogue. Khatami’s assumption of power and his policy shift may facilitate dialogue between Iran and Europe and, more significantly, end the 20-year rift with the United States. Both sides have cautiously moved toward dialogue. This began with Khatami’s CNN interview last winter, when he nearly apologized for taking U.S. diplomats hostage after the revolution. In speeches to the Asia Society, Secretary of State Madeleine Albright implicitly recognized Iran’s electoral process and its right to participate in regional security discussions. She also proposed each side take parallel steps toward normal relations. Iranian Foreign Minister Kamal Kharrazi proposed contacts in common international organizations.

Progress will likely be slow. The United States is reluctant to appear overly warm toward Khatami. It could provide ammunition to the Iranian president’s conservative critics. Additionally, attacks against American tourists and Iranian intellectuals in fall 1998 were almost certainly encouraged by hard-liners. This serves to remind Iranians of the dangers of trying to normalize relations with the West. If dialogue resumes, however, engagement could replace containment. If so, the United States will need to consider confidence-building measures that would ensure a cooperative Iran rather than a hostile one. Engagement with Iran could bolster U.S. relations with other Gulf countries that see improved relations as being in their best interests. It could also enable the United States to maintain a military presence in the region that would be less objectionable.

Strategic Assessment 1995 had good reason for being optimistic about the peace process. With agreements among Israel, the PLO, and Jordan, hopes for final settlement and an end to the arms

ances that had fueled tensions for decades seemed likely. This prospect foundered with Rabin's assassination, aggressive settlement in the West Bank and Jerusalem (which is contrary to the Oslo Accord), Israel and Syria's inability to come to agreement on the Golan, and Israel's call for new elections in May 1998. The stalemated process also strains Israel's "cold peace" with Egypt.

The United States may pay a high price to keep the Arab-Israeli peace process going. After signing the Wye Agreement, Israel requested advanced security systems and loans from the United States in order to enhance its military capabilities and pay for security improvements, such as roads connecting settlements in the West Bank. The United States also promised to assist the Palestine Authority. An accord with Syria could require a multilateral peacekeeping force in the Golan Heights, in addition to UN forces already there. Its functions would probably be similar to those in Lebanon and Sinai, where peacekeeping forces monitor a demilitarized zone. Listening posts to monitor movements could also be established. In exchange for its cooperation, Syria would expect to receive aid and to no longer be declared a sponsor of terrorism.

The United States must be able to manage relations with new governments and rulers as leadership transitions occur. The United States may find it difficult to maintain good relations with new regimes experiencing pressure to distance themselves from the United States. It may be especially challenging to retain local support for U.S. military presence in the Persian Gulf. A difficult problem will be to encourage political liberalization in countries that are very vulnerable to political extremists.

Managing Relations with the Coalition

The United States will not remain the only power broker in the Middle East for long. Russia and Europe are seeking ways to expand influence in the region without assuming any security obligation. While the United States would prefer continuing the coalition to contain Hussein, this is not likely to happen. France and Russia agree that Iraq must comply with UN sanctions, but they are not likely to support U.S. efforts to isolate Iraq and sanctions over the long term. Europeans do not want to support the U.S. Iraqi containment policy either through NATO or the United Nations. Similarly, Europeans may want

to be involved in resolving the Arab-Israeli impasse, but Israel has consistently rejected EU involvement and the United States has not sought it. This could change if a new Arab-Israeli war occurred, or if Baghdad directly threatened Kuwait or Saudi Arabia. It might happen if Iraq failed to cooperate with the United Nations.

Many governments in the region are becoming disenchanted with U.S. presence and policies. While they are not about to demand removal of U.S. forces from the region, they are likely to seek greater limits on U.S. access and an end to dual containment. Among themselves, regional states will talk about greater security cooperation but will do little about it. They will seek rapprochement with Tehran, and, ultimately Baghdad, because they are inclined toward some regional balance of power among themselves and because public moods will increasingly shape foreign policies.

Nonproliferation, protecting access to energy, and containing Iraq and Iran are all key U.S. interests, but at what cost to global U.S. policies? Precious diplomatic and military capital is required to protect these interests. Is Iraq the most important issue, and if it is, what concessions is the United States prepared to offer Russia, France, and the regional states to maintain sanctions? If Iraq is not key, how does the United States refine its policy to coincide with other interests? The United States must clearly define its goals for the region and determine the appropriate policy instruments for those goals. Hussein is unlikely to change his recalcitrant behavior and will probably continue to defy the United Nations. Diplomacy backed by military force may continue to work if Hussein perceives that the United States is willing to follow through. Competing commitments in Bosnia, Korea, or Africa or problems with military readiness may lessen U.S. capabilities in the Gulf.

In the short term, the United States may be able to manage conflicting pressures to downsize its forces, yet maintain a credible military deterrence. Major war is unlikely to occur over the next 3 years, although several events could cause conflict: failed negotiations between the Israelis and Palestinians; Turkey backing into confrontation with Greece over the deployment of Russian-made S-300 ground-to-air missiles in the Aegean Sea; Turkey pressuring Syria and Greece because of past support for anti-Turkish PKK rebels; and Iran avenging diplomats and religious cohorts murdered by the Afghani Taliban.

Over the long term, the prospect for conflict increases. Conflict could be caused as changes in

regimes occur, as financial resources become scarcer, as demographic pressures grow, and as governments refuse to allow political and economic reforms.

Net Assessment

This chapter provides an assessment of Greater Middle Eastern trends and events that will likely shape U.S. actions. While a middle-of-the road course is more likely, the best and worst case scenarios are also possible and worth considering.

Best Case Scenario

Under this scenario, the new Israeli Government and the Palestine Authority would agree on final borders and the rights of Palestinian refugees. Jerusalem will be a difficult issue, because neither side believes it can compromise on its rights to the Holy City. While Israel claims the entire city, the Palestinians may be satisfied to establish a presence in East Jerusalem. Israelis may make this concession in exchange for something more than peace with the Palestinians. Most Arab governments, including Iraq, have said they would accept whatever settlement the Palestinians accepted. Islamists will focus on Jerusalem's being eternally Muslim, just as religious Zionists want an undivided city under Jewish control.

Additionally, a real peace agreement could enable an agreement between Israel and Syria over the Golan Heights. Both sides demand total control. If Syria regained some or all the Golan and if Israel withdrew from Southern Lebanon, then it would be less important for Damascus to improve relations with Baghdad. Iraq would be even more isolated. Even in a best case scenario, it is difficult to envision Saddam Hussein being overthrown, although his opposition may unify and undermine his authority. In a best case scenario Hussein would be replaced with a government more broadly based and willing to cooperate with the United Nations and the West.

In a best case scenario, Iran would pose little threat to its Persian Gulf neighbors or U.S. forces pre-positioned there. Tehran would engage in regional confidence-building measures and become increasingly preoccupied with the Afghani Taliban who continue to murder members of Shia tribes in Afghanistan, as well as quell potential rebellion, and ethnically cleanse the border

region with Iran and Pakistan. Iran would abandon its expensive quest for WMD as a result of pressures from economic difficulties, the need to build conventional forces to contain the Taliban and defend its borders, and the need to reinvest in civilian and oil-industry infrastructure. Iran would complete the Bushehr nuclear facility, however, and promise the Gulf States protection under its nuclear umbrella. The Gulf States would agree to a security architecture that includes discussions with Iran but choose to remain under a U.S./NATO security umbrella as a deterrent to potential regional threats.

Under this scenario, the United States would realize some security objectives. It would have access to the region's energy resources and maintain a forward presence. It would partially deter the spread of WMD. Iraq would still be under UN restrictions and subject to UNSCOM inspections, while the other Gulf States would choose not to acquire them. Peace between Israel and its neighbors would enhance U.S. policies in the region, although it would not correct the Arab complaint of U.S. partiality toward Israel.

Worst Case Scenario

In a worst case scenario, Israel's inability to achieve a domestic consensus regarding peace negotiations with the Palestinians would undermine Israeli unity and risk spilling over into Palestinian areas. Acts of terrorism and civil disobedience would increase in Israel and the West Bank and result in attacks on U.S. personnel. U.S. personnel and property would be threatened by terrorist attacks because of Islamic grievances regarding U.S. military presence in the Persian Gulf and its support for Israel.

U.S. policies seeking access to oil at reasonable prices and promoting nonproliferation would be severely tested. An unstable oil market could have several outcomes. It could include angry oil producers, like Iran and Iraq, using force to punish those who might have expanded output, like Kuwait, Saudi Arabia, and the United Arab Emirates. It could also include instability within states dependent on oil revenues and unable to pay debts or subsidies to their citizens; this encompasses all the oil-producing states. This latter scenario is unlikely, but continued low oil prices would impact domestic well-being.

Probably the most dangerous scenario would involve the spread of WMD. If Iran were to acquire missiles with sufficient range to attack Moscow, Europe, Israel, and U.S. forces in the region, then several consequences could occur.

Iran could decide to test a nuclear device; but it is more likely to warn that it has missiles with chemical, biological, or nuclear warheads. If Iran or Iraq were armed with WMD, other regional countries might acquire their own as well—Saudi Arabia, Egypt, and Turkey, for example. The result would be an arms race. U.S. forces in the region would be at risk in the event of military confrontation or accident.

Even though this worst case scenario seems unlikely, the Greater Middle East will remain a troubled region and may become more turbulent. WMD is an especially worrisome trend. Proliferation seems to be accelerating. Moreover, it will occur against the background of unsettled security issues, troubled economic affairs, regime

changes, and other potentially destabilizing events. Consequently, U.S. interests will face growing challenges, perhaps more so in the Greater Middle East than in any other key region. The task for the United States will be to manage change and establish effective policies and capabilities in response.

NOTES

¹ Shimon Peres interview, cited in *Knives, Tanks, and Missiles: Israel's Security Revolution* (Washington: The Washington Institute for Near East Policy, 1998).

² Information on arms sales comes from *The Military Balance: 1997/1998*, International Institute for Strategic Studies (London: Oxford University Press, 1998), 115–144; and *World Military Expenditures and Arms Transfers, 1996* (Washington: U.S. Arms Control and Disarmament Agency, 1996).