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Middle East Perspectives

Conference Proceedings from Gstaad, Switzerland

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The Middle East 2007
Gstaad, 1-3 July 2007

Preface

       This conference report summarizes the discussion that took place at the eighth annual Workshop on the Middle East held in Gstaad, Switzerland, from July 1 to 3, 2007. The workshop was sponsored by the Geneva Centre for Security Policy (GCSP), the RAND Corporation, the Gulf Research Center (GRC), and the Crown Center for Middle East Studies at Brandeis University.

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Introduction

The Middle East remains an arena of prime strategic importance for U.S., European, and global security. Wars, instability, and regional turbulence affect not just energy security but also migration, political extremism, and the proliferation of weapons of mass destruction. This workshop analyzes the continued interaction of a range of key regional security dynamics and functional issues in the Middle East over the last year, identifying major emergent themes, linkages, and trends in the region and reflecting on their strategic impact and implications.

The workshop, now in its eighth year, took place in Gstaad for the third year in succession. It was comprised of 24 participants from 12 countries. Participants come from a variety of institutions in the Middle East, Europe, and the United States. This year's workshop included senior participants such as the president of RAND; the directors of the German Institute for International and Security Affairs (SWP, Berlin), the Stimpson Center (Washington, D.C.), the Al Ahram Centre (Cairo), and the Wilson Center (Washington, D.C.); and a regional director of the Nixon Center (Washington, D.C.), in addition to the sponsors, the GCSP, RAND, GRC, and the Crown Center. (Participant list appended.)

An Overview of Geopolitical and Regional Dynamics

The most obvious change in the Middle East over the last year has been the failure of constructive unilateralism and its replacement by negotiations between actors in the region. In addition, a number of other key factors collectively reflect and reinforce contemporary regional security dynamics and trends:

- **Regime and state weakness**: Such structural weakness is apparent in different combinations, and only in the cases of Lebanon and Iraq are the two synonymous. In Syria, Iran, and Saudi Arabia we find strong regimes but weak states; Israel has a strong state but weak regime. States in the Middle East are generally unable to provide public goods (such as human security, welfare, a monopoly on violence, and disparate militias, parties and foreign actors all too readily fill the vacuum. Explanations center variously on the delegitimization of the Washington Consensus in the region, the strength of authoritarian impulses from the "Arab street," and an identity/modernization crisis. The legitimation of the state system needs to be supported in order to counter state failure, though in the Middle East we do find a variety of states—failed states, antistates and city-states—which suggest that a variety of legitimation models need to be developed. Paradoxically, the widespread fear of complete sectarian-led disintegration of the state (the nightmare scenario) serves to reinforce regimes through the promotion of nationalist solidarity and international cooperation. It can also encourage states to change their basis of legitimation, from traditional and charismatic to legal-rational, where performance-related indicators such as rule of law, human rights, and good governance predominate.

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- **Instrumentalization of confessional and sectarian impulses**: Distributional resource conflicts have been increasingly depicted in cross-national confessional terms (Sunnis versus the Shia Crescent or Axis) by some regional and international state actors. These actors (Saudi Arabia and Egypt) sought to instrumentalize such an easily understood concept to mobilize support of their mainly Sunni populations to further their state interests. In reality, Arab Sunni solidarity against Shia Iran is better understood through the prism of traditional state power competition and rivalry than the prism of confessional clashes. However, such instrumentalization has only served to promote "political Islam" (where politics is perceived to be a means to salvation) and buttress the rise of nonstate societal-based transnational fundamentalism. The strengthening of transnational confessional and sectarian actors has, in turn, undermined the cohesion of societies and states that are unable then to deal with the phenomena they have partly served to create. Paradoxically, however, the splintering of societal and confessional solidarity also has the effect of strengthening the state: "Hold onto nurse for fear of something worse" is a strong, unifying impulse in the region, particularly apposite in the context of a disintegrating Iraq.

- **De facto borders and frontiers are no longer sacrosanct**: While formal and legal state territorial borders in the Middle East remain unchanged (even Iraq has not physically collapsed), the long-term existence of what might be called "frontiers of domination" (that is, de facto buffer zones and power projection into neighboring states) and other unregulated borders is diminishing. This trend began with Israel withdrawing from South Lebanon in 2000, Syria from Lebanon in 2005 (after 30 years) and Israel from Gaza in 2006 (after 40 years). Paradoxically, the inability of states to maintain their power-projection capability at once reflects their diminished state power capacity, but in turn reinforces the statehood of former recipients of such projection.

- **Grand strategic evolution centered on two competing models:** The geopolitical balance of power and influence is now centered on two competing projects for the hearts and minds of societies in the region. The first camp or model is characterized by the desire for an international order based on the fundamentalist principles and philosophies of theocratic Islam (political Islam), which views the current world order as inherently unjust. This camp is not a coherent political force but rather consists of parties and movements—such as Hezbollah and the Muslim Brotherhood in Egypt—and is led by a new and untested leadership whose ideological discourse projects the global and transnational idea of the *umma* that seeks to bring salvation to Islamic communities. The ideology of political Islam is not an import as was fascism or communism to European states, but embedded in the culture of particular states in the region and part of the vocabulary of dissent. However, this discourse of universalism appears more rhetorical than real, as in practice Islamists have state-based, local, and immediate objectives. State concessions towards this camp in an attempt to ameliorate grievances or induce cooption only allow it to gain momentum: Islamists use democratic means to nondemocratic ends—electoral

democracy is useful insofar as it allows majoritarianism to predominate. Nonetheless, demobilized jihadists armed with an ideology that transcends the region and technologies of destruction are now well placed to export lethality to, for example, Southeast Asia, rather as the Mujahadin did from Afghanistan in the 1990s. The second camp is characterized by a secular-based order that can be despotic or democratic in nature and uses state-based nationalism is a means of countering political Islam. Syrian withdrawal from Lebanon, the defeat of Fatah in Gaza, and the fall of the Baathist Party in Iraq have seriously weakened this camp. In response, Egypt stresses an "Egypt first" policy and protection of the homeland and places an emphasis on pre-Islamist Pharaonic traditions. Such competition between the two camps finds contemporary expression in models promoted by Iran and Turkey, two non-Arab Muslim actors seriously involved in the Middle East, and this complicates the geopolitics of the region.

- o **Iran** has undoubtedly been strengthened in military, intelligence, and ideological terms by the removal of Saddam and the emergence of Iraq as a weak and fragile neighbor.[1] While relatively strong, Iran's influence is limited by its neighbor's suspicions of its agenda and the risk of backlash among the predominantly Arab-Sunni populations of the region. Currently under UN Security Council (UNSC) sanctions, Iran is unlikely to reverse course either on its nuclear program or its ambitions to be a regional hegemon. It is still questionable if economic sanctions would change Iranian policy.

- o Within the Arab fold the diplomatic rise of a newly assertive **Saudi Arabia** is evident, all the more remarkable given predictions in some quarters of the immediate demise of the Saudi system following 9/11. The renewal of Saudi engagement is prompted by its diminishing regard for the implications of the U.S.-led freedom and democracy agenda in the region and an increased concern for the potential strategic implications if the Iraq "experiment" fails further. Saudi Arabia now promotes pan-Arab nationalism as an antidote to political Islam. The Saudi monarchy is characterized as paternalistic ("a good father to an extended family") rather than authoritarian, working through political mediation (enhanced by its role as moral custodian of the two holy cities), accommodation, and inclusiveness. In Saudi Arabia two political cultures coexist, the exclusivist monarchy and exclusivist Wahhabi doctrine, which the monarchy uses instrumentally for its own ends. It is not hegemonic in terms of military power but rather because of its approach to regional political development.

- **Evolving U.S. policy approaches to the region**: U.S. policy post-Afghanistan has helped reinforce the division of the region into two competing camps,

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[1] The Middle East is the most economically sanctioned region of the world (Iran, Iraq, Syria, Sudan). Statistically, 34 percent of sanction cases result in moderate policy changes and then only when backed by the threat or active use of force. Economic sanctions destabilized Iraq, eroded the middle class, and induced societal rather than state disintegration. In the process they delegitimized the UN through association. Ultimately, though, Iraq was not a threat to its neighbors after Gulf War I.

splitting the broad coalition (Russia, India, Pakistan, and China) which it had created. Post-Iraq, the United States and its new coalition allies (mainly Western and Christian) gained an unprecedented military presence in the region through the insertion of ground troops in Iraq and Afghanistan, as well as the presence of ships, satellites, and new bases. However, the Bush administration insisted on moral clarity in foreign policy, which undercut flexibility, transitions, and imaginative leaps and precluded effective statecraft. By clearly dividing the Middle East into "good" (the United States, Israel, and conservative allies) and "bad" (Iran and al-Qaeda) the United States has been drawn into supporting secular versus Islamists, Sunni versus Shia, Arabs versus Iranians. As a result, the political strategic goal encapsulated by the freedom and democracy agenda and the Great Middle East Initiative is in retreat. Although the United States is losing, it is not clear if Iran or al-Qaeda will be the main beneficiaries. The Bush presidency is physically and psychologically exhausted after having faced a number of crises and a huge agenda, including two wars (Afghanistan and Iraq), a simmering crisis with Iran, civil war in Palestine, and potential state failure in Pakistan. It has no real control over events and what happens on the ground, and its ineffectiveness is underscored by the poor personal chemistry between President Bush, President Mubarak, and King Abdullah.

- o **Iraq**: Mainstream senior U.S. republicans, most notably Senator Lugar, call on the president to create a bipartisan approach towards Iraq before the electoral cycle of autumn 2007 makes this untenable. This implies a substantial troop cut in Iraq within months. The next U.S. administration must now assess the strategic implications of U.S. defeat in the region, not least how the domestic backlash against future Middle East entanglements will shape policy. Reassessments and recalculations of U.S. strategic interests suggest that the United States should not exit the region entirely, but just redeploy within it.

- o **Iran**: The Bush administration changed course in 2005, adopting the European approach based on diplomacy, and now two rounds of UN sanctions are beginning to impact the thinking of the Iranian elite. How the Bush administration manages President Putin's Russia will determine if a third round of UN sanctions is possible and so have a significant impact on Iran.

- o **Palestine**: With the election of Hamas, the new U.S. discourse now emphasizes support for "moderates" (old-style authoritarians) against "radicals." This policy shift suffers from two obvious defects. First, it has occurred too quickly for European policymakers to adjust. Second, it maintains a Manichean world view that is misplaced in the context on the Middle East: Moderation is not a static and fixed behavioral pattern in the region, but rather contingent upon the extent to which the interests of actors are accommodated.

- **Changed geographical reality**: With the end of the Cold War the geographical reality of the Middle East is extended to Central Asia, Afghanistan, and Pakistan (from Casablanca to Kabul). After 9/11 most of the Islamic world was

incorporated, including the Philippines and Indonesia. Old traditional national conflicts were based on territory, identity, and nationalism, and such disputes were redefined in terms of a larger cultural and civilizational clash—Islam versus Christianity. Three previously separated geographical worlds are now connected as conflicts are more readily redefined in terms of religion—from the global war on terror, through regional conflicts to local conflict.

- **Mutual Penetration**: Hitherto the Middle East has been considered as a single system, zone, or security complex, albeit one that was the most penetrated in the global system. Such penetration is increasing as the globalization process spreads Internet and mobile phone usage with over 400 Arab-speaking satellite stations in the region. Such connectivity is powered by technological innovation and is media-based. The Gulf Cooperation Council (GCC) business community invests its prosperity in the surrounding region (Egypt, Morocco, Sudan, Lebanon, Syria, and Iraq) and elsewhere in the world and is becoming increasingly integrated into the process of globalization. At the same time, the growth of Muslim communities in Europe (and the United States) means that the penetration is reciprocal—"the Middle East" is now a domestic political issue in Europe. This penetration is also accompanied by fragmentation. The Middle East region can be considered in terms of three different sub-zones: failed states (Palestine, Lebanon, Afghanistan, Iraq); authoritarian stagnation (Libya, Egypt); and cities and societies that are global in terms of culture, politics and economy (Abu-Dhabi, Dubai, Qatar) but are geographically located in the Middle East.

- **Oil**: The oil price increase ($72 per barrel) has allowed an unprecedented accumulation of money in the region, with an estimated $1 trillion in the hands of elites. This is more money than can be invested, creating calls to limit production in the region to 7 million barrels per day until the West opens up investment opportunities for the region. GCC economies are booming and refining capacity of the Saudis has doubled, with five major refineries. A process of deindustrialization and economic diversification is now under way. It is in the U.S. and Western interest in general to maximize oil production in Iraq; it is not in the interest of its neighbors who are energy competitors, and it can be argued it would be in Iraqi interest to lower production and revenues in order to keep this strategic asset under national control. Conversely, Iraq will need capital and investment for reconstruction, including its oil sector.

Arab-Israeli Conflict, Jordan, Lebanon, and Turkey

The region has experienced a number of key changes over the last year which are notable and together shape the prospects and conditions for a permanent settlement in the region.
- First, the "constants": Israel's commitment to end occupation, partly motivated by demographic considerations, remains firm.
- Second, a majority in Palestine favor a two-state solution to the Arab-Israeli conflict.

- Third, strong minorities in both Israel and Palestine are strongly opposed to such a solution. The big changes, not least a weaker Israeli government and unilateralism, is dead, especially post-Lebanon (2006).
- Fourth, the Israeli occupation of Gaza ended and now between 65 and 75 percent of the populations of both states favor a two-state solution to the Arab-Israeli conflict.
- Fifth, Israeli withdrawal from the West Bank will have to be negotiated. However, it is not clear what Israel is prepared to concede, for example in terms of territory, to facilitate the formation of a viable Palestinian state on the West Bank. The Gaza experience of instability has discredited the policy of "constructive unilateralism" and weakened the Israeli government: A strong Israeli government is a necessary prerequisite for unilateral action. Nevertheless, a Grand Coalition consists of 83 seats in the Knesset (the largest ever) and a strategic alliance between "the two Ehuds" (Barak and Olmert) allows for a stabilization of the Israeli political scene.
- Sixth, the reality of power distribution in Palestine has changed and a duopoly now exists, with Hamas and Fatah contesting control. The defeat of Fatah in Gaza suggests that the Palestinian cause and with it Arab nationalism is in strategic decline, unless Hamas builds itself into a transnational pan-Islamic movement.
- Seventh, changes in Israeli power distribution have also occurred: The military is now led by a new defense minister and new military commanders have been promoted (during the war of 2006 the chiefs of staff, intelligence, planning, and the air force were all air force officers who believed in effects-based doctrine). The next Israeli military encounter will look very different from the war in 2006 that violated every principle of Israeli ground force military doctrine. The Israeli Defense Forces now argue that military intervention in Gaza in response to rocket attacks will prove meaningless as the situation in Gaza is too chaotic.
- Eighth, the United States is no longer a viable Middle East mediator; all Bush administration peace initiatives/road maps have failed to gain traction. But if the United States is disengaged from the peace process, can progress be expected? The Oslo peace process demonstrated that if the interests of the two parties are strong enough, progress can be made without U.S. involvement, though all progress is easily reversible. Israel could well evacuate small and dispersed settlements in the West Bank Settlement projects on the West Bank, but the final status of Jerusalem still remains the most hypersensitive issue.
- Ninth, the regional balance of power has shifted and Hamas has at least to tolerate the process of Arab-Israeli negotiation. A "grand bargain" needs to be struck on the Palestinian side to give Israel a viable interlocutor, but it is not clear that pragmatists and centrists in Fatah and Hamas can overcome their own militants and radicals to provide this role. The *sine qua non* of a sustainable, permanent Israeli-Palestinian settlement is Hamas acceptance—but even the most moderate Hamas members cannot agree with even the most moderate Israelis over the right of return to Jerusalem issue. A huge debate is under way as to how best to bolster Abu Mazen without discrediting him, how to engage Hamas at a low level, and how to prevent a human disaster amongst the 1.5 million Palestinians in Gaza.

- Finally, when reviewing possibilities for stability in the region, it is likely that the "Syrian option" will gain favor on the Arab and the Israeli side.

How to stabilize Palestine under current conditions? External aid is a traditional tool to influence events and actors in Palestine. However, although King Abdullah of Jordan supports Fatah more than Hamas, his relations with the Fatah leadership have eroded and he is unwilling to become deeply involved in the West Bank (advocating instead a "Jordan-first" policy aimed at consolidating Jordanian identity). As a result, the "bailing out" option is difficult to achieve and a vacuum of power will continue in the West Bank. In Jordan the middle class is squeezed by a huge inflow of cheap Iraqi labor and an economic boom in the capital which caused inflation and raised rents and land prices. At the same time, this has helped assimilate Palestinians by decreasing the divide between Palestinians and Jordanians.

Lebanon is in the process of searching for a new equilibrium as the state and society attempt to recover after a 15-year war with Syria. In September 2004 UN Security Council Resolution 1559 called for the Syrian military withdrawal from Lebanon and the disarming of all militias so that for the first time in 30 years Lebanon could regain sovereignty. A new national unity government in 2005, which has expanded to include all parties, found UNSC Resolution 1559 hard, but not impossible, to implement. Although the Syrian military did withdraw, its power and influence was maintained through other means—in particular, assassination. Will the promise to end the U.S. and European isolation of Syria (the "Libyan option"), together with an Israeli withdrawal from the Golan Heights, be sufficient inducement for the Assad regime to dissolve its strategic partnership with Iran and its lynchpin role between Tehran and Hezbollah?

Following the war between Hezbollah and Israel in 2006, UNSC Resolution 1701 saw the Lebanese army deployed to the South for the first time since the 1970s, the UN Interim Force in Lebanon (UNIFIL) was strengthened and the border demilitarized. As a result, three trends are apparent. First, south Lebanon is now experiencing a process of normalization. Second, although the state and the Lebanese army still face challenges to their monopoly of force, it is no longer taboo to discuss Hezbollah's weapons and the Lebanese army has fought Fatah Islam in Palestinian refugee camps in North Lebanon. Militias, particularly Hezbollah, did not disarm and are detached from the peace process. In addition, Sunni fundamentalists groups (such as Fatah al-Islam) have been radicalized by the war in Iraq and are now powerful in Tripoli and Sidon and other northern cities. Third, there is an immunity from violent conflict as it is not in the interest of any party in Lebanon to mobilize for war (unlike 1975). However, as the state faces multiple security challenges and has a weak and divided government this immunity could easily be eroded. Another security vacuum in Lebanon would damage not just Lebanon but the region as it would not be contained within its state borders.

Turkey faces an ongoing civil-military struggle. The "deep state"—that is, the military, constitutional courts, and middle class secularists (some of whom are "secular fundamentalists")—contests power with Islamist religious parties. This struggle culminated in the victory of the AKP Party (Justice and Development Party) in the July

22, 2007, elections. AKP is meticulous in its efforts to avoid being characterized as an Islamist party: It stresses its democratic and liberal economic credentials at every turn. The government is widely credited with a successful economy policy and has democratised the political arena, most notably reversing government policy on Cyprus. Turkey enjoys record levels of foreign direct investment and lower unemployment; predictability and self-confidence characterize the booming economy, which is countrywide in impact (except in its southeast). However, a less visible social and cultural Islamization process is occurring, with Islamic elements penetrating the education system, courts, national holidays and symbolic elements of public life. Much of this is perception-led: While 60 percent of women wear headscarves, this as an overall proportion is less than 10 years ago, but only more visible as rural more traditional populations migrate to the cities.

Paradoxically, the tragedy of Turkish democracy is that military intervention in defense of democracy has itself undercut the need for a civil opposition, and so weakened democratic practice and oversight. A new generation of military leaders at the brigadier and major general level present a more radical secular and anti-Western face. The Achilles heel of the state, according to the military, can be located in Turkish policy to Iraq's Kurdistan. Here, continuous transfers of IED technology between camps outside the control of Kurdistan leaders and the PKK in Turkey itself highlight a source of insecurity which the Turkish military can use to mobilise support against the government for its failure to take action. A Turkish military strike would destroy Turkish-U.S. relations; unless the United States encourages Iraqi Kurdish leaders to arrest PKK leaders, the outcome will be the same. At present, only 9 percent of Turks support U.S. policy; 86 percent oppose it.

The new government will most likely adopt a more activist policy in the Middle East and begin by striking a "grand bargain" with Iraqi Kurdish leadership. In return for remaining part of Iraq, the Turkish government would guarantee trade relations ($2 billion in investments and contracts) and help the Kurds establish a buffer zone between themselves and fundamentalist Shia and Sunni communities in the south. This would remove the "separatism leading to independence" demonstration effect for Kurds in Turkey.

Along with Iran and Syria, Turkey shares a concern about the status of Kurdistan and other minorities in the region and also receives energy supplies from Iran. As a result, Turkey engages Iran and Syria, rather than supporting a U.S. policy that aims to isolate and promote a policy of regime change in these two states. On the issue of the Iranian nuclear program, the key concern of Turkey is not that Iran would threaten it with weapons but that a regional nuclear arms race would be destabilizing for the region. Behind the more critical rhetoric towards Israel ("policy of state terrorism"), the basic Turkish commitment to defense and intelligence sharing has not changed.

Iraq

Iraq constitutes the most serious blunder in U.S. foreign policy and the US now has the lowest Pew Research Center Poll ratings in the region since the history of polling—even a majority of the Israeli public find the U.S. approach to the region unbalanced. Unlike Iraq and the region, the United States is likely to recover from the long-term consequences of this miscalculation. It is easier to focus on the reasons for the miscalculation than to outline a coherent plan for addressing its consequences. The Bush administration underestimated the manpower and finance necessary for Iraq, failing to learn the lessons of and build on the U.S. and UK experiences of 1990s nation-building. It also failed to recognize how difficult it would be to hold Iraq together if neighbors, who had access to Iraq and could influence events, were not prepared to cooperate and that status quo regimes would not support the emergence of a democratic Iraq established through coercive regime change.

Insurgencies and civil wars usually end in three ways. Most frequently a clear victor emerges. States can also fragment permanently, though this has not happened often since 1945 as the international community has acted to prevent this outcome. The least frequent outcome is for a negotiated settlement between the parties. A lack of trust usually means the settlement is temporary, giving factions the chance to rest and rearm, unless foreign peacekeeping forces assume a protectorate role or an external balance of power is maintained (as was the case with Lebanon after Syrian intervention in the 1990s).

How can Iraq be best "read"? Transhistorical sectarianism appears to be a constant feature of Iraqi historical development, as does coexistence and cooperation between groups, with sectarianism imported from outside. Divisions did exist in Iraq but they were largely politicized and then only under certain conditions.

- The revolution of 1920 (a rebellion against the British) has been portrayed in terms of a great nationalist uprising uniting all Iraqis, but can also be understood in sectarian terms. The rhetoric and discourse of a pan-Islamic uprising against the infidels cloaked a desire of the chief clerical Shia families of Najaf and Kerbala to maintain their autonomy: The more national the discourse, the more local the objectives.
- Between 1958 and the 1970s the politics of ideology and social mobility rather than sects predominated, with a diverse, emerging city-based middle class enjoying a golden age. Saddam promoted the secularization and detribalization of society to create Iraqi subjects loyal to the regime and party. Shia clerics and institutions (which generated revenues outside government control) opposed this process, and therefore the Sunni elites moved to destroy, eliminate, and incorporate independent, autonomous social power not under Baathist control.
- The Iran-Iraq war of the 1980s reintroduced sectarian politics, and sanctions in the 1990s promoted a retribalization and the fragmentation and localization of Iraqi society.
- The post-Saddam environment can best be understood not as civil war or complete chaos, but as a thriving ruthless local political environment based on

decentralized "associations of trust" in disparate localities. These associations use violence for multiple ends: to establish their status (violence generates recognition and respect), to defend their communities, and to impress rivals. The forms and idioms that these associations take (ethnic, sectarian, or class-based) depends on locality. The public or national state has little weight, unlike the powerful patronage networks of an emerging shadow state: national coalition parties, armed tribal groups, a disaffected opposition, insurgents (ex-Baathists), and criminal networks. These six strata are armed, are partisan, have territorially defined constituencies that are regional in scope and express themselves through local forms of power.

External actors possess neither the capacity to determine where the fragmentation and disintegration ends nor the sophistication to play power politics effectively (constant troop rotations make the institutionalization of localized knowledge difficult), but they can still accelerate or retard processes already in motion. Through a combination of default and design national politics ("a fiction") is undermined and localist tendencies upheld. In Basra, for example, the UK oversaw the institutionalization of an entrenched localism though building local security services which reinforced local power structures. The U.S. surge does not represent a national security plan but rather an incremental, ad hoc policy based on a series of local agreements: Some militias are dispersed and wait for the surge to pass, localism based on isolation and resentment has been reinforced, and the dependency of the national government on the United States has been strengthened. The Turkish government plays a powerful role in isolating the Kurds, and Iran utilizes patronage, violence, and dependence in the southeast.

In addition, the U.S. domestic presidential political timeline does not support medium- or longer-term rational course adjustments to U.S. policy in Iraq. A significant reduction in US casualties would change the tone of the debate in Washington (100 dead and 300 seriously wounded each month constitutes the single most troubling factor), but if the "surge" is to be effective, U.S. casualties will increase; if the United States were to redeploy from Iraq's cities, intra-Iraqi violence would increase and a "cutting and running" discourse would dominate. Both are politically unacceptable outcomes.

The Bush administrations focus on al-Qaeda in Iraq generates status and prestige for a group whose power relative to other internal militias is weak. This emphasis does, however, play well domestically by defining and reducing current objectives and missions, and preparing for a more limited set of missions in the future. The U.S. administration treats reconciliation and better governance as an integrated whole. However, just because the Iraqi Parliament might function, we cannot assume the automatic presence of a reconciliation process (indeed, with the death of Saddam there is no leading Baathist with whom to forgive and reconcile): The reconciliation process is largely abstract and has yet to be operationalized.

To stabilize Iraq is to destabilize Iran and Syria. As a result, over the medium term the United States must prioritize and choose which of its objectives and interests are vital (stabilizing Iraq?) and subordinate all other tasks (democratize Lebanon, denuclearize

Iran, or punish Syria?) to that end. An inability to choose and prioritize will result in the failure of U.S. policy in the region. What, then, can be done to stabilize Iraq and deny al-Qaeda an incubator to recruit and a base of operations?

The adoption of classic counterinsurgency tactics in al-Anbar province, low civilian deaths in June and the initiation of dialogue with Iran over Iraq all appear positive indicators, but they do not outweigh the negative one and this is reflected in U.S. public opinion which drives the U.S. public debate. The pivot point in Iraq will occur over the next 12 months, as the United States attempts to undertake a gradual and controlled de-escalation—which runs the danger of uncontrolled de-escalation and the collapse of the Iraqi government. After the Iraq Study Group's bipartisan option was rejected and the "surge" adopted, the compromise option may not be on offer in September 2007.

As a result of continued instability in Iraq, all options appear to be on the table and a process of revaluation and consultation is now under way. The choice facing U.S. policymakers might be expressed in binary and negative terms: The United States can choose to stay in Iraq and allow the situation to deteriorate slowly or it can leave and the situation will deteriorate quickly—violence will intensify as factions fight for resources. From another perspective, three options are possible.

- First, the United States could embrace a peace-enforcement mission and flood Iraq with troops. However, U.S. public opinion would object and unless the United States provided core contingents, it could not happen.
- Second, exit quickly and let events take their course—but U.S. moral responsibility and U.S. interests rule this out as a viable option.
- Third, pick a side (a Shia-Kurd government with as many Sunnis as possible) and assist it and maintain a sustained though lower engagement in Iraq (essentially the Lugar and Iraq Study Group option). Senator Lugar suggests that the United States should consider redeploying U.S. forces outside Iraq, undertaking a diplomatic offensive to create a forum with regional participation, developing biofuels to give the United States energy independence and solving the Arab-Israeli conflict.

But given the reality of how power is structured and distributed in Iraq, regional powers will need to recognize and legitimize the authority of local leaders who can enforce local settlements (though it is hard to envisage the outcome of imposed settlements in Kirkuk or Mosul or how the United States could avoid getting involved in the ethnic cleansing that this could provoke). A viable central government would need a strong national military and security force. However, the reality in Iraq is that devolved local power can protect neighborhoods and, in effect, the U.S. policy already trains and equips factions it supports. Access to national energy in Iraq (82 percent of which is pumped by national companies) demands a national presence and local security (which local leaders would have a stake in securing in return for energy). Thus, the production and distribution of public goods (oil revenues) can be used as a lever to bind the periphery to the center and help unify the state.

All of Iraq's neighbors, particularly U.S. allies in the region, want Iraq to stay together rather than emerge as a failed state—not least as such failure would boost Iranian hegemony. A series of bilateral and multilateral interlocking conferences allowing for consultative arrangements in a constellation of consecutive circles needs to be created. This could begin with a core group of friends (Kurds, Saudis, Turks, and Jordanians) to ascertain common ground and negotiate agreements. The Iranians and Syrians could then be integrated into these consultations: As Iran wants Iraq as a satellite state (akin to Syria's relations with Lebanon) and both these states can play the role of spoilers, the purpose of such diplomacy would be to minimize this potential. A wider regional group, including the EU, World Bank, Egypt, and Japan, would play a financial role in helping to stabilize Iraq.

Iran and the Gulf

GCC perceptions of a nuclear-armed Iran center on how to manage the secondary and tertiary regional effects, the regional aftershocks, and unanticipated consequences. Might the GCC states be caught in the cross-fire of an Israeli or U.S. preventative strike on Iran, with disruption to the *Haj* or the eastern oil fields of Saudi Arabia, assassinations of leaders, or military rocket attacks as the result? The possibility of a Chernobyl-like nuclear contamination worries Kuwait and highlights the lack of GCC focus on consequence management. An emboldened Iran threatens the UAE and its ongoing maritime territorial dispute. The specter of a regional arms race could pressure the GCC to develop its own nuclear program, or, for example, the UAE, could ask to be placed under Egypt's nuclear umbrella. GCC states also focus on Shia communities in the region, particularly in Bahrain and Saudi Arabia, where there is an active policy debate centered on how best to integrate them, the pace of reform and prospects for their radicalization, and their potential role as a fifth column, ready to be mobilized if the United States attacks Iran. The GCC has a nuanced understanding of the implications of the nuclearization of Iran: The regional order would be thrown into question and new credible guarantees for security would need to be generated.

The GCC response to the implications of this threat, though, is diverse, ranging from accommodation and détente, to increased security guarantees (whether bilateral with the United States or multilateral), to developing its own nuclear deterrent (for example, Egypt and Saudi Arabia). Iran can misinterpret public and private discourse—for example, the UAE has stated that it will not allow U.S. bases in the UAE to attack Iran, *unless* under a UNSC resolution. The GCC also expresses deeper anxieties, frustrations, and fears, and it is an open question whether these states would welcome the role of a nuclear Saudi Arabia as regional hegemon (indeed, for Oman, a nuclear Saudi Arabia constitutes a greater potential threat than Iran). It is also open as to how U.S. or Russian negotiations might impact the region, whether states will accept the offer of a U.S. nuclear umbrella, or if Pakistan would provide aid if Iran attacked.

The domestic political environment in Iran can be divided into two broad factions competing for power, patronage, and resources. One group, consisting of reformists (students, the urban middle class and some of the bazaar) and pragmatic conservatives,

believes the revolution is over and seeks to normalize relations with the world. For this group, the nuclear program provides Iran with a bargaining chip to normalize relations with the West and integrate into the global economy. Another consists of ideological conservatives (who, like Ahmadinijad, want to return to "first principles"), the rural power, the Basij militia, and some of the revolutionary guard susceptible to Islamic revolutionary rhetoric. This group argues that revolutionary values have not yet been fully implemented and wants the revolutionary state to revert to first principles, rather than integrate into the globalized world. For this group, nuclear power provides the means to equalize Iranian power with the West.

The nuclear program is symbolic of Iran's regional role and behavior, the nature of the state and its character. The principal motive for the nuclear program is to bolster performance legitimacy: A political and technical momentum is propelled by the image of a technical mastery (over both nuclear enrichment and military weaponization) which provides status, prestige, and a substitute for a per capita income fall in Iran.

How can such a momentum be halted? Neither China nor Russia wants to see a nuclear Iran but they are not prepared to accept military strikes to prevent this. Iran tries to blunt the military option by splitting the West, attempting to stop a new UN resolution, threatening to accelerate the nuclear program, and developing spillover strategies in the region through appealing to the Arab street over the heads of their rulers and strengthening Hezbollah-Iranian links. In addition, it appears that the technical timeline for enrichment is not synchronized with the diplomatic timeline currently in place, which creates a fault line in Western policymaking. Furthermore, if sticks are not to be used, how can Iran could be rewarded—what does it want: legitimacy, geopolitical advancement, assurances about U.S. presence in Iraq and Afghanistan?

Although Iran is weak in terms of conventional military power, the nuclear program itself is far too advanced to be susceptible to sanctions. How, then, might the Iranian regime be contained? For the Iranian leadership a central dilemma remains: external investments create dependency; without such investments it cannot modernize its economy. Thus, compared with the rest of the Middle East, Iran is relatively economically isolated, without dense ties or large levels of external investment—a complete contrast to the 1970s, when it was the economically most modernized state in the region.

Sanctions to stop refined products reaching Iran would impact society (the government is sensitive to public sentiment) and sanctions to prevent foreign companies investing in the Iranian energy (oil and gas) sector would destabilize the leadership of the state. Oil price decline (a Saudi-induced drop in oil prices would hurt Iran the most and could be implemented quickest), as well as dropping exports and flat and falling production, impacts Iran's oil distribution fund and so undermines the governments distributive patronage system. This threat to regime survival could cause a regime shift back towards the moderates and realists and so render a nuclear Iran more palatable. If the nuclear ambitions of the state conflict with its real economic interest as a first-rate energy exporter, then this could create pressure to shift policy emphasis and priorities in Iran:

Iran wants to have a nuclear capability but not at the cost of becoming an economic basket case.

Iran can also be challenged ideologically via sophisticated media campaigns and the oil wealth of neighboring states can be used to fund such efforts to delegitimize Hamas and Hezbollah in the region. As the reality of Iran begins to be known—for example, there is not a single Sunni mosque in the state, no Sunni is a member of the cabinet or an ambassador, and it is ranked 105 on the transparency corruption scale—the moral and virtuous image it projects will be undercut: Iranian "Third Worldism" is undercut by Persian chauvinism. Preexisting dividing lines amongst the Arab and Persian Shia can also be deepened through stoking fears of Iranian domination and Arab Shia theological supremacy (Najef over Qom), building an immunity and resistance capacity to Iranian ideological and political warfare efforts.

In addition to economic sanctions and efforts to counter the ideological appeal of the regime, there are signs of regime decay itself, which help fuel the regional backlash against Iran that is gathering pace. Iran is has overplayed its hand and is overextended in Iraq and suffers from short-termism, no overall strategy, misjudgements which create internal opposition and dissent, and poor timing, not to mention a weak military. There are therefore a number of built-in barriers and structural impediments to Iranian influence in the region. These barriers can be strengthened but how exactly to operationalize this process is less clear.

The United States needs Iranian support for an orderly exit from Iraq. Iranian policy towards the United States is not consistent—vacillating between calls to leave immediately and to leave, but slowly. A "grand bargain" assumes that there is one interlocutor in Iran with whom to negotiate, but the Iranian president and supreme guide are not consistent in policy statements (the former bypasses the latter and manipulates the system). Moreover, there are no constituencies in Iran that press for better U.S.-Iranian relations. The strategic national security community, business community, and diaspora are either uninterested or against taking a risk to improve such relations.

The United States is now multilateralizing the Iranian nuclear file—framing it as a global problem—while dealing with Iraq in a more unilateral manner. While Iran cannot be excluded from a new regional security architecture, it is not clear how it might be included. The threat of a nuclear Iran gives the United States leverage over GCC states in the region to help stabilize in Iraq. This leverage is strengthened by the fear in GCC states that the United States could compromise with Iran, striking a "grand bargain" to save U.S. policy in Iraq but at the expense of GCC security interests.

Concluding Remarks

Four central themes have threaded through this workshop.
- There are tensions between different models for organizing political behavior in the region, between state structures, and on the basis of secular ideals or through transnational, subnational and non-national movements based on ethnoreligious identity and beliefs. Stability is enhanced through nationalism which creates stronger, more competent and cohesive states.
- How the region responded to the 2006 war in Lebanon illustrates that frontiers of domination are not enduring and that satellite states are on the retreat. The performance of the Lebanese army and the rising credibility of the prime minister project greater state stability. Expectations are now more realistic, lessons have been learned, and Iranian influence appears to have peaked.
- Perceptions concerning the role of outsiders in shaping the region have changed. Outsiders bring violence to the region but cannot shape Iraqi politics; sanctions alone are not effective, but high oil revenues provide an opportunity to redistribute wealth and so undercut conflict.
- It is clear that 9/11 continues to be the prism that dominates the arc of U.S. policy. The perception of vulnerability in the United States and that threats are linked to the character of U.S. adversaries has led to the conclusion that changing regimes will change state behavior. While the Iraq war had illustrated a clear willingness to use coercive regime change as part of U.S. nonproliferation policy, the message with regard to Iran is mixed. Does the United States want regime change or regime behavior change and does it distinguish between the two? The United States has substituted coherent policy for competing impulses, and if it abandons coercive regime change as an option, the Iranians will need to decide if Iran is a revolutionary or an ordinary state.
    - In the short term, the United States has no real leverage over the government in Iraq. Although its influence is both overwhelming and marginal (political outcomes occur at the margins), there is no reconciliation or political process in place that will produce outcomes necessary to stabilize the state in the short and medium term. A timetable for troop withdrawal and the threat of actual withdrawal could supply leverage and the political incentive to facilitate reconciliation.
    - A nuclear Iran poses profound implications for U.S. extended deterrence and countering terrorism: The reduction of the U.S. military footprint in the Gulf would remove a cause of terrorist recruitment; but extended deterrence is more credible if the United States has a near neighborhood presence. Is the U.S. "surge" a deterrent force or designed to strike Iranian nuclear sites? A counterproliferation strike carries with it a significant risk of a general war akin to 1914 or 1967.
    - U.S. withdrawal from the region suggests that the United States could then jettison its current strategic incoherence in favor of a new set of strategic relations based on feasible political goals. The United States should continue democratization efforts in the region, but should pursue this

policy more intelligently by focusing first on the process of political liberalization—an effective press, functioning civil society, the rule of law—before electoral democracy. U.S. policy towards Israel is unbalanced, with detrimental outcomes for the United States and Israel. The perception in the Muslim world that the United States is not an honest broker increases the need for it to gain credit and legitimacy, and reoccupy the moral high ground that an Arab-Israeli settlement would generate. Al-Qaeda has reconstituted itself as a serious threat and the US needs to discover how to counter the current threat without generating the next and think more intelligently about how to bolster moderates without undermining them.

o A future focus and agenda should include the long-term implications of effective hearts-and-minds campaigns, demographic and economic change, how these impact development, and how the post-Iraq syndrome will shape U.S. policies in the region.

Participants

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Program

Sunday, 1 July 2007

Arrival of Participants

19h00   *Aperitif at the Hotel Arc-en-ciel*

19h30   *Welcoming Dinner at the Hotel Bellevue*

Monday, 2 July 2007

09h00-09h15   **Welcome and Introduction to the Conference**

Dr. Shahram CHUBIN, Director of Studies, GCSP

Ambassador David AARON, Director, Center for Middle East Public Policy, RAND

Prof. Shai FELDMAN, Director, Crown Center for Middle East Studies, Brandeis University

Mr. Abdulaziz SAGER, Chairman, Gulf Research Center, Dubai

09h15-11h30   **Geopolitical and Regional Dynamics: an Overview**

Chair: Dr. Geoffrey KEMP, Director, Regional Strategic Programs, The Nixon Center, Washington, D.C.
Dr. Abdel Monem SAID, Director, Al Ahram Center for Political and Strategic Studies, Cairo

Dr. Volker PERTHES, Director, German Institute for International and Security Affairs (SWP), Berlin

11h30-12h00   *Coffee Break*

12h00-13h00   **General Discussion**

13h00-14h00   *Buffet Lunch*

14h00-15h30   **Arab-Israeli Conflict**

Chair: Ambassador Fred TANNER, Director, GCSP

Prof. Shai FELDMAN, Director, Crown Center for Middle East Studies, Brandeis University

Jordan

Mr. Tariq TELL, Amman

Lebanon
Dr. Farid AL KHAZEN, Professor of Political Science, American University of Beirut

Turkey

Dr. Henri J. Barkey, Bernard L. and Bertha F. Cohen Professor and Chair of the International Relations Department, Lehigh University, Bethlehem

Dr. Steve Larrabee, International Security Analyst, Center for Middle East Public Policy, RAND

15h30-16h00   *Coffee Break*

16h00-17h00   **General Discussion**

19h30   *Dinner at the Hotel Alpenland*

Tuesday, 3 July 2007

09h00-10h30   **Iraq**

Chair: Ambassador David Aaron, Director, Center for Middle East Public Policy, RAND

Dr. Charles Tripp, Head of Department, School of Oriental and African Studies, University of London

Prof. Sami Zubaida, Emeritus Professor of Politics and Sociology, School of Politics and Sociology, Birkbeck College, University of London

Amb. James Dobbins, Director, International Security and Defense Policy Center, RAND

10h30-11h00   *Coffee Break*

11h00-12h00   **General Discussion**

12h00-13h00   *Buffet Lunch*

13h00-14h30   **Iran and the Gulf**

Chair: Mr. Abdulaziz Sager, Chairman, Gulf Research Centre, Dubai

Dr. Shahram Chubin, Director of Studies, GCSP

Dr. Frederic M. Wehrey, International Policy Analyst, Center for Middle East Public Policy, RAND

Dr. Giacomo Luciani, Director, The Gulf Institute (Geneva) and Professorial Lecturer, SAIS Johns Hopkins University Bologna Center

14h30-15h00   *Coffee Break*

15h00-16h00   **General Discussion**

16h00-17h00   **Concluding Remarks**

Chair: Ms. Ellen Laipson, President and CEO, The Henry L. Stimson Center, Washington, D.C.

Dr. Robert Litwak, Director, Division of International Studies, Woodrow Wilson International Center for Scholars, Washington, D.C.

Dr. James A. THOMSON, President and CEO, RAND

Dr. Robert ART, Christian A. Herter Professor of International Relations, Brandeis University

19h30 ***Concluding Informal Dinner* at *Restaurant Rialto***

Rapporteur Dr. Graeme HERD, ETC Co-Director, GCSP